

**PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
PICKAWAY COUNTY, OHIO**

**FINANCIAL STATEMENT  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

**BRIAN RAMSAY, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Pickaway County Public Employee Benefits Program  
19463 Pherson Pike  
Williamsport, Ohio 43164

We have reviewed the *Independent Auditor's Report* of the Pickaway County Public Employee Benefits Program, Pickaway County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Pickaway County Public Employee Benefits Program is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

November 29, 2016

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**PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
PICKAWAY 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

Pickaway County Public Employee Benefits Program  
Pickaway County  
19463 Pherson Pike  
Williamsport, Ohio 43164

To the Board of Directors:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of Pickaway County Public Employee Benefits Program, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2016.

### ***Management's Responsibility for the Financial Statement***

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 the financial statement 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 Pickaway County Public Employee Benefits Program's preparation and fair presentation of its 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 Pickaway County Public Employee Benefits Program'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 2 of the financial statement, the Pickaway County Public Employee Benefits Program 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 Pickaway County Public Employee Benefits Program 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 Pickaway County Public Employee Benefits Program as of June 30, 2016, or changes in financial position or cash flows thereof for the fiscal 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 balance of Pickaway County Public Employee Benefits Program, Pickaway County, as of June 30, 2016, and its cash receipts and disbursements for the fiscal 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of the Pickaway County Public Employee Benefits Program'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 Pickaway County Public Employee Benefits Program's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
September 27, 2016

PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<b>Operating Cash Receipts</b>	
Member Contributions	\$ 12,059,823
Rebates	419,221
<b>Total Operating Cash Receipts</b>	<u>12,479,044</u>
<b>Operating Cash Disbursements</b>	
Claims Paid	9,875,187
Administrative Fees	1,478,650
Brokerage Service Fees	53,680
Miscellaneous Fees	98,905
<b>Total Operating Cash Disbursements</b>	<u>11,506,422</u>
<b>Operating Income</b>	<u>972,622</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Investment Receipts	27,508
Refund to Districts	(468,114)
<b>Total Non-Operating Receipts (Disbursements)</b>	<u>(440,606)</u>
<b>Income before Extraordinary Item</b>	<u>532,016</u>
<b>Extraordinary Receipts (Disbursements)</b>	
Pradualent Wire Transfers	(137,280)
Pradualent Wire Transfers Reimbursement	137,280
<b>Total Extraordinary Receipts (Disbursements)</b>	<u>-</u>
<b>Net Change in Fund Cash Balance</b>	532,016
<b>Fund Cash Balance at Beginning of Year</b>	<u>4,415,552</u>
<b>Fund Cash Balance at End of Year</b>	<u>\$ 4,947,568</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT



**PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - DESCRIPTION OF THE PROGRAM**

The Pickaway County Public Employee Benefits Program (the "Program") is a legally separate entity organized under Ohio Revised Code Section 9.833. The Program was established on July 1, 2009, formed by the boards of education of the Circleville City, Logan Elm Local, Teays Valley Local and Westfall Local school districts for the provision of health care and dental benefits (effective July 1, 2011) to the eligible officials and employees of those districts and their eligible dependents.

The Program is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No. 10 as amended by GASB Statement No. 30. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Program bylaws.

The governing body of the Program is the Board of Directors. Each member is represented on the Board of Directors by their superintendent or his or her designee. All representatives serve without compensation.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 accounting principles generally accepted in the United States of America. 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.

**B. 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.

**C. Member and Supplemental Contributions**

Member contributions are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund claims, insurance premiums and administrative costs of the Program, and to create and maintain reserves. Under the terms of membership, the Directors may also include any other adjustments to the Program costs to be paid by any member or all members that it believes are necessary or appropriate for the prudent management of the Program, including allowance for wellness programs and other related programs or services.

**PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**D. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. During the year ended June 30, 2016, there were extraordinary transactions that occurred when the Program's bank account had three instances of unauthorized fraudulent wire transfers. These fraudulent wire transfers were investigated by the bank and determined to be a cyber-attack. The fraudulent transactions were reimbursed by the bank and a new account was established for the Program to use.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The carrying amount of cash and investments at June 30 was as follows:

	<u>June 30, 2016</u>
Demand Deposits	\$ 1,083,380
STAR Ohio	1,802,966
Money Market	31,014
Certificates of Deposit	852,521
Agency Notes	<u>1,177,687</u>
Total Deposits and Investments	<u><u>\$ 4,947,568</u></u>

**A. Deposits**

At June 30, 2016, the carrying amount and bank balance of the Program's deposits was \$1,083,380. Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Program, or (3) collateralized by the financial institution's public entity deposit pool.

**PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2016, the Program had the following investments and maturities:

Investment Type	Carrying Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 279,496	\$ -	\$279,496	\$ -	\$ -	\$ -
FNMA	773,258	-	-	74,561	298,706	399,991
FHLM	124,933	-	124,933	-	-	-
STAR Ohio	1,802,966	1,802,966	-	-	-	-
Certificates of Deposit	852,521	-	-	144,783	-	707,738
Money Market	31,014	31,014	-	-	-	-
	<u>\$ 3,864,188</u>	<u>\$ 1,833,980</u>	<u>\$404,429</u>	<u>\$219,344</u>	<u>\$298,706</u>	<u>\$1,107,729</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Program's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The Program's investment in U.S. Government money market funds carries a rating of AAA by Standard & Poor's. The Program's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Program's investment policy does not specifically address credit risk beyond requiring the Program to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and treasury bills are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Program's name. The Program has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The Program places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Program at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 279,496	7.24%
FNMA	773,258	20.01%
FHLM	124,933	3.23%
STAR Ohio	1,802,966	46.66%
Certificates of Deposit	852,521	22.06%
Money Market	31,014	0.80%
	<u>\$ 3,864,188</u>	<u>100.00%</u>

**NOTE 4 - RISK MANAGEMENT**

The Program contracts with a third party administrator, United Healthcare, to process and pay claims incurred by its members. Members pay monthly premiums to the Program based upon their plan design, the overall experience of the pool, and each member's individual rating. The Treasurer issues payments to the third party administrator for actual insurance claims processed and administrative charges.

The Program employs reinsurance agreements (stop-loss coverage) to reduce its risk that large losses may be incurred on medical claims. This allows the Program to recover a portion of losses on claims from re-insurers, although it does not discharge their primary liability.

An actuarial valuation of the health care plan is prepared annually under guidelines set forth in *Actuarial Standard of Practice No. 5, Incurred Health Claims Liabilities* (ASB 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to compare this liability to funds reserved. The method and assumptions utilized for measuring a loss reserve are critical to the determination as to whether funds are adequate.

A comparison of the Program's cash and investments to the actuarially-measured liability as of June 30, 2016 follows:

	<u>June 30, 2016</u>
Cash and Investments	\$ 4,947,568
Actuarial Loss Reserve	882,300



**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 on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Pickaway County Public Employee Benefits Program  
Pickaway County  
19463 Pherson Pike  
Williamsport, Ohio 43164

To the Board of Directors:

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 Pickaway County Public Employee Benefits Program, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statement and have issued our report thereon dated September 27, 2016 wherein we noted the Pickaway County Public Employee Benefits Program 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 Pickaway County Public Employee Benefits Program'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 Pickaway County Public Employee Benefits Program'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 Pickaway County Public Employee Benefits Program'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 Directors  
Pickaway County Public Employee Benefits Program

***Compliance and Other Matters***

As part of reasonably assuring whether the Pickaway County Public Employee Benefits Program'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 Pickaway County Public Employee Benefits Program's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Pickaway County Public Employee Benefits Program'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.  
September 27, 2016



# Dave Yost • Auditor of State

## PICKAWAY COUNTY PUBLIC EMPLOYEES BENEFITS PROGRAM

### PICKAWAY 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  
DECEMBER 13, 2016