

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

***FINANCIAL STATEMENT  
(AUDITED)***

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

**STEVE MCAFEE, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Pickaway County Public Employee Benefits Program  
9579 Tarlton Road  
Circleville, Ohio 43113

We have reviewed the *Independent Accountants' Report* of the Pickaway County Public Employee Benefits Program, Pickaway County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 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 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 28, 2011

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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 Accountants' Report**

Pickaway County Public Employee Benefits Program  
9579 Tarlton Road  
Circleville, Ohio 43113

To the Board of Directors:

We have audited the accompanying financial statement of the Pickaway County Public Employee Benefits Program, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2011. This financial statement is the responsibility of the Pickaway County Public Employee Benefits Program'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 2, the Pickaway County Public Employee Benefits Program 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 fund the accompanying financial statement presents, GAAP require presenting entity wide statements and also presenting the Pickaway County Public Employee Benefits Program's larger (i.e. major) funds separately. While the Pickaway County Public Employee Benefits Program 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 Pickaway County Public Employee Benefits Program 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the fiscal year ended June 30, 2011, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Pickaway County Public Employee Benefits Program, Pickaway County, Ohio, as of June 30, 2011, or its changes in financial position or cash flows where applicable for the fiscal year then ended.

Independent Accountants' Report  
Pickaway County Public Employee Benefits Program  
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Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash fund balance of the Pickaway County Public Employee Benefits Program, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2011, and its cash receipts and disbursements for the fiscal year then ended on the accounting basis Note 2 describes.

The Pickaway County Public Employee Benefits Program 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 statement.

The Pickaway County Public Employee Benefits Program has not presented the required supplementary information on receipts and claims development that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, 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. 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.



Julian & Grube, Inc.  
September 30, 2011



PICKAWAY COUNTY PUBLIC EMPLOYEE BENEFITS PROGRAM  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<b>OPERATING CASH RECEIPTS</b>	
Member Contributions	\$ 11,029,878
Stop Loss Receipts	<u>442,999</u>
<b>Total Operating Cash Receipts</b>	<u>11,472,877</u>
<b>OPERATING CASH DISBURSEMENTS</b>	
Claims Paid	11,094,079
Stop Loss Fees	439,338
Administrative Fees	344,294
Brokerage Service Fees	56,539
Miscellaneous Fees	<u>17,292</u>
<b>Total Operating Cash Disbursements</b>	<u>11,951,542</u>
<b>Excess of Operating Cash Receipts Over/(Under) Operating Disbursements</b>	<u>(478,665)</u>
<b>NON-OPERATING CASH RECEIPTS</b>	
Investment Receipts	<u>11,891</u>
<b>Total Non-Operating Cash Receipts</b>	<u>11,891</u>
<b>Change in Cash Balance</b>	(466,774)
<b>CASH BALANCE AT BEGINNING OF YEAR</b>	<u>3,978,037</u>
<b>CASH BALANCE AT END OF YEAR</b>	<u><u>\$ 3,511,263</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

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

**NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 benefits 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**

These financial statements follow 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.

**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 BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

	<u>2011</u>
Demand Deposits	\$ 711,657
STAR Ohio	789,455
Money Market	11,647
Treasury Bills	249,604
Agency Notes	<u>1,748,900</u>
 Total Deposits and Investments	 <u>\$ 3,511,263</u>

**A. Deposits**

At June 30, 2011, the carrying amount and bank balance of the Program's deposits was \$711,657. 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.

**B. Investments**

As of June 30, 2011, the Program had the following investments and maturities:

<u>Investment type</u>	<u>Cost Basis</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 30 months</u>
FHLB	\$ 400,000	\$ -	\$ -	\$ 200,000	\$ 200,000
FHLMC	1,024,681	-	-	699,844	324,837
FNMA	324,219	-	-	224,503	99,716
Treasury Bills	249,604	-	249,604	-	-
STAR Ohio	789,455	789,455	-	-	-
U.S. Government money market	11,647	11,647	-	-	-
	<u>\$ 2,799,606</u>	<u>\$ 801,102</u>	<u>\$ 249,604</u>	<u>\$ 1,124,347</u>	<u>\$ 624,553</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 AAAM 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*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.

**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, 2011 follows:

	<u>June 30, 2011</u>
Cash and Investments	\$ 3,511,263
Actuarial Loss Reserve	799,120



**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 on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

Pickaway County Public Employee Benefits Program  
9579 Tarlton Road  
Circleville, Ohio 43113

To the Board of Directors:

We have audited the financial statement of the Pickaway County Public Employee Benefits Program, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 30, 2011, wherein we noted the Pickaway County Public Employee Benefits Program 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 Pickaway County Public Employee Benefits Program'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 Pickaway County Public Employee Benefits Program's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Pickaway County Public Employee Benefits Program'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 Pickaway County Public Employee Benefits Program's financial statements 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 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, 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 Directors and management of the Pickaway County Public Employee Benefits Program. 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.  
September 30, 2011



# Dave Yost • Auditor of State

## PICKAWAY COUNTY PUBLIC EMPLOYEE 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 8, 2011