

**MIDWEST EMPLOYEE BENEFIT
CONSORTIUM**

MERCER COUNTY

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND DECEMBER 31, 2022**

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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800-282-0370

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

We have reviewed the *Independent Auditor's Report* of the Midwest Employee Benefit Consortium, Mercer County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2023 through December 31, 2023. 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

May 07, 2024

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**MIDWEST EMPLOYEE BENEFIT CONSORTIUM
MERCER COUNTY
FOR THE YEARS ENDED DECEMEBR 31, 2023 AND DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Midwest Employee Benefit Consortium

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Midwest Employee Benefit Consortium (the Consortium) as of and for the years ended December 31, 2023 and December 31, 2022, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consortium, as of December 31, 2023 and December 31, 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Consortium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and ten-year loss development information to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024, on our consideration of the 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. The purpose of that report is solely 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 the effectiveness of the Consortium's 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 Consortium's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

April 22, 2024

MIDWEST EMPLOYEE BENEFIT CONSORTIUM

Management's Discussion and Analysis (Unaudited)

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 years ending December 31, 2023, 2022, and 2021. 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.

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 three have withdrawn from the benefit consortium. As of December 31, 2023, there were a total of two counties in MEBC: Auglaize and Mercer Counties. These

MIDWEST EMPLOYEE BENEFIT CONSORTIUM

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

counties have joined MEBC for medical and prescription drug coverage. Two counties provided dental coverage through MEBC for calendar year 2021. One county provided dental coverage through MEBC for calendar year 2022.

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 offered a choice between a Preferred Provider Organization (PPO) Plan 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 years ending December 31, 2023, 2022, and 2021, 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

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

Approximately 90, 78 and 94 percent of total assets consist of cash, cash equivalents, and investments at December 31, 2023, 2022 and 2021 respectively. Approximately 100% percent of total liabilities consist of the reserve for unpaid claims at December 31, 2023, 2022 and 2021. 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 | | |
|------------------------------------|------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| Current Assets | | | |
| Cash and cash equivalents | \$ 3,731,155 | \$ 3,320,821 | \$2,230,457 |
| Securities | 100,000 | 100,000 | 100,000 |
| Other assets | <u>167,283</u> | <u>848,641</u> | <u>149,040</u> |
| Total current assets | \$ 3,998,438 | \$ 4,269,462 | \$2,479,497 |
| Current Liabilities | | | |
| Reserve for unpaid claims | <u>1,134,000</u> | <u>1,320,000</u> | <u>672,200</u> |
| Total liabilities | \$1,134,000 | \$1,320,000 | \$672,200 |
| Net Position - Unrestricted | | | |
| Net investment in capital assets | | | |
| Unrestricted | <u>2,864,438</u> | <u>2,949,462</u> | <u>1,807,297</u> |
| Total net position | \$2,864,438 | \$2,949,462 | \$1,807,297 |

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 | | |
|---|------------------------|------------------|----------------------|
| | 2021 | 2022 | 2023 |
| Operating Revenue | \$13,633,175 | \$16,979,383 | \$10,375,317 |
| Provision for claims | 12,193,179 | 14,426,632 | 9,633,968 |
| Claims administration | 552,678 | 523,963 | 368,278 |
| Insurance premiums | 2,142,898 | 1,969,848 | 1,580,263 |
| Other general and administrative expenses | <u>14,011</u> | <u>13,880</u> | <u>21,195</u> |
| Total operating expenses | \$14,902,766 | \$16,934,323 | \$11,603,704 |
| Operating (Loss)/Revenue | (1,269,591) | 45,060 | (1,228,387) |
| Non-operating Revenue (Expenses) | | | |
| Interest and dividend income | <u>5,954</u> | <u>39,964</u> | <u>86,222</u> |
| Total non-operating income | <u>5,954</u> | <u>39,964</u> | <u>86,222</u> |
| Change in Net Position | <u>(\$ 1,263,637)</u> | <u>\$ 85,024</u> | <u>(\$1,142,165)</u> |

Condensed Comparative Financial Highlights

- Reserve for unpaid claims (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, decreased by 49% for the year ended December 31, 2023. This is a result of Hancock County terminating membership with MEBC at the end of calendar year 2022. Run-out claims would have been paid in 2023.
- Overall, MEBC's net position decrease by \$1,142,165 in 2023 and increased by \$85,024 in 2022. As noted above, the decrease in 2023 can be attributed to the change in the reserves for incurred but not reported claims. Also, in 2023 Hancock county is no longer a member of the consortium, which reflects in the decrease of operating revenue in 2023 from 2022. MEBC and its administrative partners continue to evaluate procedures in an effort to control medical and prescription costs – operating in a proactive manner to adjust to the ever-changing market trends.
- Claim expenses were \$12,193,179, \$14,426,632 and \$9,633,968 for the years ended December 31, 2021, 2022 and 2023 respectively. Claim expenses decreased in 2023 from 2022, however expenses are high considering only 2 counties are members of the consortium in 2023. The claim expenses increase can be in part contributed to: 1) the rebounding of medical services delayed in 2022, and 2) inflationary increase in the health-care industry. Non-operating revenue increased by \$46,258 from 2022 to 2023. The change is attributable to the rising interest rates in respect to cash and investments.

MIDWEST EMPLOYEE BENEFIT CONSORTIUM

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, Elixir, 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. Effective with the 2022 plan year, MEBC joined the Central Ohio Schools Stop Loss Organization (COSSO). Participation in this non-profit organization generate savings in the procurement of excess insurance coverage.

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

Year Ended December 31

Assets

Current assets:

| | <u>2022</u> | <u>2023</u> |
|------------------------------------|--------------|-------------|
| Cash and cash equivalents (Note 2) | \$3,320,821 | 2,230,457 |
| Security Deposit (Note 2) | 100,000 | 100,000 |
| Other receivable | 610,949 | 149,040 |
| Prepaid expenses | 237,692 | |
| Total current assets | \$ 4,269,462 | \$2,479,497 |

Liabilities- Current

| | | |
|------------------------------------|--------------|------------|
| Reserve for unpaid claims (Note 3) | 1,320,000 | 672,200 |
| Total liabilities | \$ 1,320,000 | \$ 672,200 |

Equity - Net position

| | | |
|--------------------|-------------|-------------|
| Unrestricted | 2,949,462 | 1,807,297 |
| Total net position | \$2,949,462 | \$1,807,297 |

MIDWEST EMPLOYEE BENEFIT CONSORTIUM

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31

| | <u>2022</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Operating Revenue | | |
| Premiums and other | \$ 16,979,383 | \$ 10,375,317 |
| Total operating revenue | <u>\$ 16,979,383</u> | <u>\$ 10,375,317</u> |
| Operating Expenses | | |
| Provision for claims | | |
| Paid | 14,240,632 | 10,281,768 |
| Change in reserve for unpaid claims | 186,000 | (647,800) |
| Total provisions for claims | <u>14,426,632</u> | <u>9,633,968</u> |
| Claims administration | 523,963 | 368,278 |
| Insurance premiums | 1,969,848 | 1,580,263 |
| General and administrative | 7,890 | 15,145 |
| Legal | 5,990 | 6,050 |
| Total operating expenses | <u>16,934,323</u> | <u>11,603,704</u> |
| Operating Gain (Loss) | 45,060 | (1,228,387) |
| Nonoperating Revenue | | |
| Interest and dividend income | <u>39,964</u> | <u>86,222</u> |
| Total nonoperating revenue | <u>39,964</u> | <u>86,222</u> |
| Change in Net Position | 85,024 | (1,142,165) |
| Net Position - Beginning of year | <u>2,864,438</u> | <u>2,949,462</u> |
| Net Position - End of year | <u>\$2,949,462</u> | <u>\$1,807,297</u> |

MIDWEST EMPLOYEE BENEFIT CONSORTIUM

Statement of Cash Flows

| | Year Ended December 31 | |
|--|------------------------|--------------|
| | 2022 | 2023 |
| Cash Flows from Operating Activities | | |
| Cash received for premiums and other | \$ 16,787,874 | \$10,837,226 |
| Cash paid for claims | (14,240,631) | (10,281,768) |
| Cash paid for insurance premiums | (2,397,012) | (1,405,257) |
| Cash paid for claims administration | (586,649) | (305,592) |
| Cash payments to vendors for services and goods | (13,880) | (21,195) |
| Net cash provided (used) by operating activities | (450,298) | (1,176,586) |
| Cash Flows from Investment Activities | | |
| Interest and dividends received on investments | 39,964 | 86,222 |
| Net cash provided by investing activities | 39,964 | 86,222 |
| Net Increase (Decrease) in Cash and Cash | (410,334) | (1,090,364) |
| Cash and Cash Equivalents - Beginning of year | 3,731,155 | 3,320,821 |
| Cash and Cash Equivalents - End of year | \$ 3,320,821 | \$2,230,457 |

A reconciliation of operating gain (loss) to net cash provided (used) in operating activities is as follows:

| | | |
|--|-------------|---------------|
| Operating (Loss)/Revenue | \$ 45,060 | (\$1,228,387) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Changes in assets and liabilities: | | |
| Reserve for unpaid claims (Decrease) | 186,000 | (647,800) |
| Other receivable (Increase)/Decrease | (443,666) | 461,909 |
| Prepaid expenses | (237,692) | 237,692 |
| Net cash used in operating activities | (\$450,298) | (\$1,176,586) |

There were no noncash transactions in 2022 and 2023.

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 established pursuant to the rights and privileges conveyed to it by the constitution and the laws of the State of Ohio as defined by Ohio Revised Code Chapter 1702. The consortium offers medical, dental, 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, 2023, two Ohio counties were members of MEBC as medical coverage participants compared to three Ohio counties in 2022.

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 and short-term money market securities and STAR Ohio.

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

Investments - Investments consist of certificates of deposit and interest-bearing checking/money market accounts, which are stated at fair value. In 2022 and 2023, 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 2022 and 2023, 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 \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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, 2022 and 2023.

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, 2022 and 2023. This includes an estimate of claims incurred but not yet reported (IBNR) as of December 31, 2022 and 2023. For 2023, a 15% margin has been added to the IBNR to reflect expected variability. For 2022, a 10% margin was added.

**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 3 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 for plan years ending December 31, 2022 and 2023.

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, 2024.

Notes to Financial Statements
December 31, 2022 and 2023

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 \$3,320,821 and \$2,230,457 for 2022 and 2023 respectively. MEBC has designated The Peoples Bank Co. and STAR Ohio to serve as public depositories.

| | <u>2022</u> | <u>2023</u> |
|--------------------------------|--------------------|--------------------|
| <u>Cash:</u> | | |
| Demand Deposits | \$1,191,539 | \$ 820,002 |
| <u>Investments:</u> | | |
| STAR Ohio | <u>\$2,129,282</u> | <u>\$1,410,455</u> |
| Total Deposits and Investments | \$3,320,821 | \$2,230,457 |

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 fiscal years 2022 and 2023, 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.

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 2022 and 2023, MEBC had bank deposits of \$1,191,539 and \$820,002 respectively. Of this amount, a portion 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.

Notes to Financial Statements
December 31, 2022 and 2023

Note 2 - Deposits and Investments Continued

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

Note 3 – Reserve for Unpaid Claim

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 |
|--------------------|--------------------------|---------------|-----------------|-----------------------|
| 2023 | \$ 1,320,000 | \$9,633,968 | \$10,281,768 | \$672,200 |
| 2022 | \$ 1,134,000 | \$ 14,426,632 | \$ 14,240,632 | \$1,320,000 |
| 2021 | \$ 1,204,000 | \$ 12,193,179 | \$ 12,263,179 | \$ 1,134,000 |

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.

MIDWEST EMPLOYEE BENEFIT CONSORTIUM (MEBC)**Ten-Year Schedule of Claims Development**

Note: Only eight policy years available

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1 Required contributions and investment income | | | | | | | | |
| Earned | 12,626,101 | 12,911,525 | 13,007,310 | 12,675,870 | 12,672,368 | 12,940,750 | 13,643,116 | 8,460,576 |
| Ceded | <u>1,118,941</u> | <u>1,159,662</u> | <u>1,339,284</u> | <u>1,514,432</u> | <u>1,805,266</u> | <u>2,142,898</u> | <u>1,969,848</u> | <u>1,537,716</u> |
| Net | 11,507,160 | 11,751,863 | 11,668,026 | 11,161,438 | 10,867,102 | 10,797,852 | 11,673,268 | 6,922,860 |
| 2 Unallocated Expenses (not allocable to claims) | 544,423 | 504,330 | 504,252 | 493,247 | 570,161 | 566,689 | 537,843 | 389,473 |
| 3 Estimated claims and allocated claim adjustment expenses - End of policy year: | | | | | | | | |
| Incurred | 13,675,137 | 10,363,488 | 11,179,092 | 12,156,105 | 11,042,916 | 10,754,355 | 14,107,563 | 8,510,542 |
| Ceded | <u>3,031,467</u> | <u>539,280</u> | <u>1,172,350</u> | <u>1,289,074</u> | <u>1,035,085</u> | <u>486,943</u> | <u>2,889,597</u> | <u>1,442,312</u> |
| Net | 10,643,670 | 9,824,208 | 10,006,742 | 10,867,031 | 10,007,831 | 10,267,412 | 11,217,966 | 7,068,230 |
| 4 Cumulative paid claims and allocated claim adjustment expenses | | | | | | | | |
| End of policy year | 12,150,137 | 8,996,488 | 10,053,092 | 10,727,105 | 9,838,916 | 9,620,355 | 12,787,563 | 7,850,542 |
| One year later | 13,697,500 | 9,893,066 | 10,974,355 | 12,085,528 | 10,610,300 | 10,724,092 | 14,509,093 | |
| Two years later | 13,697,500 | 9,893,066 | 10,974,355 | 12,085,528 | 10,610,300 | 10,724,092 | | |
| Three years later | 13,697,500 | 9,893,066 | 10,974,355 | 12,085,528 | 10,610,300 | | | |
| Four years later | 13,697,500 | 9,893,066 | 10,974,355 | 12,085,528 | | | | |
| Five years later | 13,697,500 | 9,893,066 | 10,974,355 | | | | | |
| Six years later | 13,697,500 | 9,893,066 | | | | | | |
| Seven years later | 13,697,500 | | | | | | | |
| 5 Re-estimated ceded claims and expenses | 3,035,561 | 539,280 | 1,296,491 | 1,289,723 | 1,044,633 | 486,943 | 2,944,561 | 1,442,312 |
| 6 Re-estimated incurred claims and allocated claim adjustment expenses | | | | | | | | |
| End of policy year | 10,643,670 | 9,824,208 | 10,006,742 | 10,867,031 | 10,007,831 | 10,267,412 | 11,217,966 | 7,068,230 |
| One year later | 10,661,939 | 9,353,785 | 9,677,864 | 10,795,805 | 9,565,667 | 10,237,149 | 11,564,532 | |
| Two years later | 10,661,939 | 9,353,785 | 9,677,864 | 10,795,805 | 9,565,667 | 10,237,149 | | |

MIDWEST EMPLOYEE BENEFIT CONSORTIUM (MEBC)**Ten-Year Schedule of Claims Development**

Note: Only eight policy years available

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Three years later | 10,661,939 | 9,353,785 | 9,677,864 | 10,795,805 | 9,565,667 | | | |
| Four years later | 10,661,939 | 9,353,785 | 9,677,864 | 10,795,805 | | | | |
| Five years later | 10,661,939 | 9,353,785 | 9,677,864 | | | | | |
| Six years later | 10,661,939 | 9,353,785 | | | | | | |
| Seven years later | 10,661,939 | | | | | | | |
| 7 (Decrease) increase in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end | 18,269 | (470,422) | (328,878) | (71,226) | (442,164) | (30,263) | 346,566 | - |

* The effect and cost to recreate financial information for the previous years was not practical
Additional years will be displayed as they become available.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Midwest Employee Benefit Consortium

We have audited, in accordance with the 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, the financial statements of the Midwest Employee Insurance Consortium (the Consortium), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated April 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

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 a 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. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
April 22, 2024

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 5/21/2024

65 East State 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