COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2008 AND 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
County Employee Benefits Consortium of Ohio, Inc.
209 East State Street
Columbus, Ohio 43215

We have reviewed the *Report of Independent Auditors* of the County Employee Benefits Consortium of Ohio, Inc., Franklin County, prepared by Blue & Co., LLC, for the audit period January 1, 2008 through December 31, 2008. 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 County Employee Benefits Consortium of Ohio, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 29, 2009

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COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

TABLE OF CONTENTS
DECEMBER 31, 2008 AND 2007

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CPAS / ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
County Employee Benefits Consortium of Ohio, Inc.
Columbus, Ohio

We have audited the accompanying statements of net assets of County Employee Benefits Consortium of Ohio, Inc. as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets and cash flow for the years then ended. These financial statements are the responsibility of County Employee Benefits Consortium of Ohio, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Employee Benefits Consortium of Ohio, Inc. as of December 31, 2008 and 2007, and the results of its changes in net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, on pages i through vi, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2009, on our consideration of the County Employee Benefits Consortium of Ohio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Blue & Co., LLC

May 12, 2009

The Management of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) offers this narrative overview of the organization and analysis of the financial activities of CEBCO for the fiscal years ended December 31, 2008, 2007 and 2006. Readers are encouraged to consider the information presented here in conjunction with CEBCO's financial statements and notes to the financial statements to enhance their understanding of CEBCO's financial performance.

Introduction

In 2002, the County Commissioners Association of Ohio (CCAO) set out to establish a health benefits program for Ohio counties that belonged to the Association. The goal was to provide the highest quality yet most cost-effective medical and related benefits for county employees. CCAO funded and sponsored the development of the program, which would become CEBCO. CEBCO was incorporated as a non-profit, governmental health insurance pool on October 28, 2003. Operations and plan coverage officially began on January 1, 2004. On that date, CEBCO had six member counties. Since then, twelve counties have joined CEBCO for medical coverage, and no county has withdrawn from the Consortium. Additionally, two more counties have joined with benefits effective on January 1, 2009.

CEBCO is a self-funded, joint self insurance program authorized pursuant to Section 9.833 of the Ohio Revised Code to offer medical, dental, vision, and prescription drug coverage, as well as a fully insured life insurance product. Various plan options are available to members. Members sign a three-year commitment to CEBCO. Premiums are paid on a monthly basis. The assigned rates are set to cover administrative fees, stop loss fees, expected claims costs, and reserves.

Overview of the Financial Statements

CEBCO reports its activities as an enterprise fund. An enterprise fund is a proprietary fund, and as such uses full accrual accounting. Revenues are recognized when earned, and expenses are recognized when incurred. CEBCO is not legally required to adopt a budget. However, management does maintain an administrative budget in order to monitor administrative revenues and expenses. Budget comparisons are not required for CEBCO and therefore are not presented as required supplementary information in this report.

Following the pronouncements of the Governmental Accounting Standards Board (GASB), CEBCO's financial information is presented in three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets presents CEBCO's financial position as of the end of the fiscal year. Information is displayed about CEBCO's assets and liabilities, with the difference between the two reported as Net Assets.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information on the change in net assets (revenues minus expenses) during the fiscal year. Whereas the Statement of Net Assets is a snapshot of the financial position of the Consortium on December 31, the Statement of Revenues, Expenses, and Changes in Net Assets presents the activities of the Consortium for the entire fiscal year. Since the financials are presented on an accrual basis, the changes in net assets shown do not necessarily coincide with the cash flows. The Statement of Cash Flows presents the actual cash flows from activities during the fiscal year.

Financial Analysis – Statements of Net Assets

The following table presents the summarized financial position of CEBCO on December 31, 2008, 2007 and 2006. More detailed information is available in the accompanying basic financial statements.

Table 1:

Assets	**2008**	**2007**	**2006**
Cash and cash equivalents	$ 13,155,084	$ 9,371,666	$ 12,362,724
Investments	29,818,824	23,926,913	13,366,783
Other assets	1,861,865	606,397	471,031
Total assets	44,835,773	33,904,976	26,200,538
Total liabilities	12,620,465	8,843,771	8,561,429
Net assets	$ 32,215,308	$ 25,061,205	$ 17,639,109

The majority of CEBCO's assets are cash and investments. Other assets include fixed assets, interest receivable, and prepaid expenses. The statements show that CEBCO's total assets were $26,200,538 at December 31, 2006; $33,904,976 at December 31, 2007 and $44,835,773 December 31, 2008. This increase is due mainly to the increases in membership and employee lives covered under the program, which increased premiums received. CEBCO medical coverage enrollment grew from approximately 600 employee lives in the beginning of 2006 to 6,400 in 2007 to more than 8,700 in 2008. Also contributing to the steady increases in assets was the purchase of more investment grade bonds each year, which generated increased interest income.

Also in 2008, other assets include an ownership interest in a limited liability company, the County Governance Facility, LLC (the LLC). CEBCO's interest in the LLC as of December 31, 2008, was $981,952.

Liabilities represent amounts owed to outside companies for fiscal year services that were not paid until the next year, amounts calculated as reasonable estimates for claims incurred but not reported to the claims administrators, unearned premium, and related party payables. Unearned premium is the amount of premiums for the upcoming fiscal year that have been received but have not yet been earned. Total liabilities increased 3.0% between 2006 and 2007, and 42.7% between 2007 and 2008, mainly due to the increases in employee lives covered each year, which in turn increased claims liability each year.

At the end of its fifth year of operations, CEBCO realized net assets of $32,215,308. This is a significant change from the previous year, in which CEBCO's total net assets were $25,061,205. The change is due primarily to the large increase in reserve cash and investments supplied by an increased membership and interest income, with a relatively smaller increase to the liability estimated for unpaid claims.

Financial Analysis - Statements of Revenues, Expenses, and Changes in Net Assets

The following table presents a summary of CEBCO's revenues and expenses for the fiscal years ending December 31, 2008, 2007 and 2006. More detailed information is available in the accompanying basic financial statements.

Table 2:

Revenues	**2008**	**2007**	**2006**
Premiums earned (member contributions)	$ 82,503,283	$ 58,037,037	$ 53,441,307
Less: commercial insurance coverage	(1,379,739)	(1,430,626)	(1,353,094)
Investment and other income	2,252,070	1,398,667	797,913
Total revenues	83,375,614	58,005,078	52,886,126
Expenses			
Claims paid and loss adjustments	71,137,607	46,682,808	39,315,661
Claims administration	3,795,139	2,812,028	2,631,033
Other general and administrative expenses	1,288,765	1,088,146	1,015,678
Total expenses	76,221,511	50,582,982	42,962,372
Excess of revenues over expenses	7,154,103	7,422,096	9,923,754
Net assets beginning of year	25,061,205	17,639,109	7,715,355
Net assets end of year	$ 32,215,308	$ 25,061,205	$ 17,639,109

Premium earned is the amount of premium paid or due for the fiscal year. This amount is reduced by the amount paid by CEBCO for stop loss insurance. CEBCO purchases stop loss insurance to cover the risk of large claims. In 2006 and 2007, CEBCO covered the first $175,000 for each medical claimant. The stop loss carrier (Anthem) reimbursed amounts above this level. For 2008, the specific stop loss was raised to $250,000. This lowered the stop loss fees in 2008. The Board of Directors and the CEBCO staff review the stop loss amount annually and increase the amount when warranted. For 2009, the specific stop loss amount was set at $300,000.

Total revenues increased from $52,886,126 in 2006 to $58,005,078 in 2007, a 9.7% increase. This increase is primarily due to new member counties joining CEBCO in late 2006 and staying with the consortium throughout 2007 and 2008, with the subsequent increase in premiums received. Interest income also significantly increased due to more funds being invested in bonds with higher interest rates than the checking and money market accounts in which the funds were previously held.

An even larger increase in revenues occurred between 2007 and 2008, a 43.7% increase. In January of 2008, four new counties joined CEBCO, adding more than 2,300 employee lives. This increased member premium revenues. Also, as new money came in, funds were invested in more bonds during a time of declining interest rates, generating $745,566 in unrealized gains.

Expenses increased 17.6% between 2006 and 2007, and 50.7% between 2007 and 2008. Claims paid, claims administration and general administrative expenses increased as new members joined CEBCO and new programs and coverage expansions were implemented.

Also in 2008, CEBCO entered into a joint venture with CCAO and the County Risk Sharing Authority (CORSA) as partners to form a limited liability company, called the County Governance Facility, LLC (the LLC). Each partner contributed $1,000,000 to the formation of the LLC. The LLC purchased a building which houses the office space for CCAO, CORSA and CEBCO. CCAO, CORSA and CEBCO each share a one-third interest in the LLC. In 20087, the LLC realized a net loss of $54,144. CEBCO's share in the loss was $18,048. This is less than 1% of CEBCO's expenses for the year.

The excess of revenues over expenses, or net income, was $9,923,754 in 2006, $7,422,096 in 2007, and $7,154,103 in 2008. These decreases in net income can be attributed in part to new programs added to CEBCO lines of coverage and expanded coverage to include preventive care benefits. The enhanced benefits may cost more in the early years, but should result in lower claims in the future, resulting in higher net incomes in the coming years.

Financial Analysis – Statement of Cash Flows

This statement reviews how CEBCO's cash balance changed during the fiscal year. It is divided into three different sections, each explain where CEBCO was provided or used cash during the year. These sections relate to CEBCO's operations, investing activities, and capital and related financing activities. This statement provides detail regarding the increases and decreases in CEBCO's cash position during the year.

The net cash provided by operating activities was $8,660,397 in 2008 compared to $6,759,961 in 2007. This increase was caused by greater member premiums collected than claims paid out, with the addition of new member counties during 2008. This number may fluctuate over the years as new programs are implemented and their benefits begin to show, and as new premiums come in to cover the increases in lives covered. CEBCO maintains a healthy cash balance and generates enough cash each year through its operations to cover claims and add to its investment portfolio.

Cash paid out for capital and financing activities changed from $544,743 in 2007 to $9,153 in 2008, due to CEBCO paying the remaining portion of debt to CCAO and CORSA. Cash paid for investment activities changed from $9,206,276 in 2007 to $4,867,826 in 2008, as CEBCO kept a larger reserve of cash and cash equivalents during 2008 in comparison to prior years, due to the need for larger amounts of cash on hand to pay claims for the increased membership.

Trends and Strategic Planning

CEBCO continues to look for ways to enhance its benefits and programs provided for the membership and to control claims costs. In 2007, an Employee Assistance Program was added to the benefits offered by CEBCO. This program features counseling, accounting and legal services to employees. An Employee Assistance Program is a good addition to the CEBCO benefit programs as it also promotes wellness and prevention services. The additional counseling services assist employees with short term problem resolution and may also reduce mental health related claims costs in the long run. This program also provides Crisis Management and Employer Referral Benefits for the employer. Also in 2007, the CEBCO Board of Directors voted to enhance preventive care benefits for CEBCO members and to expand coverage to include smoking cessation benefits under the prescription drug program. The intended results are healthier employees and lower overall health care costs. These programs became effective January 1, 2008. Also effective January 1, 2008, Caremark quality control programs were added. These programs are: Custom Care Retail, Advanced Guideline Management, and the Patient Safety and Quality Program. Each of these programs provides a more robust safety and clinical intervention. CEBCO is growing not just in an increase in numbers but in the strength of the program and services provided.

CEBCO ended its first year of operations with a deficiency in net assets. Its second year of operations resulted in positive net assets of over $7.7 million. Its third year ended with net assets of over $17.6 million. Its fourth year ended with net assets of over $25 million. At December 31, 2008, CEBCO realized net assets of over $32 million. This indicates substantial growth and a conservative approach to funding, investing, and reserving assets. The Management and Board of Directors of CEBCO understand the need to be prudent in these areas because of the volatility of the health care industry and the possibility of trend factor claims increases as the consortium matures. That is why CEBCO maintains reserves above the claims liability to cover unforeseen contingencies and future large claims losses.

Contacting CEBCO Financial Management

This financial report is designed to provide the users of CEBCO's services, governments, taxpayers and creditors with a general overview of the organization's finances. If you have any questions about this report or need additional information, contact the Managing Director of Health and Wellness – 209 E State Street, Columbus, Ohio 43215.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENTS OF NET ASSETS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
Assets		
Cash and cash equivalents	$ 13,155,084	$ 9,371,666
Investments	29,818,824	23,926,913
Prepaid expenses	500,609	459,053
Interest receivable	367,300	123,941
Other receivable	-	15,362
Property and equipment, net of depreciation	12,004	8,041
Investment in joint venture	981,952	-
Total assets	$ 44,835,773	$ 33,904,976

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities		
Accounts payable	$ 1,264,710	$ 882,082
Unearned premium	3,908,055	3,226,089
Reserve for unpaid claims	7,447,700	4,735,600
Total liabilities	12,620,465	8,843,771
Net assets		
Net assets - unrestricted	32,203,304	25,053,164
Net assets - invested in capital assets	12,004	8,041
Total net assets	32,215,308	25,061,205
Total liabilities and net assets	$ 44,835,773	$ 33,904,976

See accompanying notes to financial statements.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Revenues		
Premiums	$ 82,503,283	$ 58,037,037
Ceded premiums	(1,379,739)	(1,430,626)
Net premiums earned	81,123,544	56,606,411
Investment income	2,249,396	1,395,973
Other income	2,674	2,694
Total revenue	83,375,614	58,005,078
Expenses		
Claims paid and loss adjustments	71,137,607	46,682,808
Claims administration	3,795,139	2,812,028
General and administrative	1,037,373	872,711
Commission	165,304	166,175
Depreciation	5,190	4,008
Investment fees	80,898	45,252
Total expenses	76,221,511	50,582,982
Excess of revenues over expenses	7,154,103	7,422,096
Net assets at beginning of year	25,061,205	17,639,109
Net assets at end of year	$ 32,215,308	$ 25,061,205

See accompanying notes to financial statements.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Operating activities		
Cash received for premiums and other	$ 83,185,249	$ 58,235,731
Cash paid for claims	(68,425,507)	(45,878,508)
Cash payments to vendors for services and goods	(4,297,217)	(3,758,571)
Cash paid for excess insurance	(1,379,739)	(1,430,626)
Cash paid to employees for wages and benefits	(422,389)	(408,065)
Net cash flows from operating activities	8,660,397	6,759,961
Capital and related financing activities		
Purchase of property and equipment	(9,153)	(4,891)
Related party payables	-	(539,852)
Net cash flows from capital and related financing activities	(9,153)	(544,743)
Investing activities		
Purchase of investments	(5,891,911)	(10,560,130)
Investment in joint venture	(981,952)	-
Interest received on investments and cash equivalents	2,006,037	1,353,854
Net cash flows from investing activities	(4,867,826)	(9,206,276)
Net change in cash and cash equivalents	3,783,418	(2,991,058)
Cash and cash equivalents - beginning of year	9,371,666	12,362,724
Cash and cash equivalents - end of year	$ 13,155,084	$ 9,371,666
Reconciliation of excess of revenues over expenses to net cash from operating activities:		
Excess of revenues over expenses	$ 7,154,103	$ 7,422,096
Interest income considered investing activity	(2,249,396)	(1,395,973)
Depreciation	5,190	4,008
Changes in operating assets and liabilities		
Reserve for unpaid claims	2,712,100	804,300
Other receivable	15,362	(10,281)
Prepaid expenses	(41,556)	(82,083)
Unearned premium	681,966	206,281
Accounts payable	382,628	(188,387)
Net cash flows from operating activities	$ 8,660,397	$ 6,759,961

See accompanying notes to financial statements.

1. ORGANIZATION AND PLAN OF OPERATION

The County Employee Benefits Consortium of Ohio, Inc. (CEBCO) is an Ohio non-profit organization formed by the County Commissioners Association of Ohio (CCAO) to provide cost effective employee benefit programs for Ohio county governments. CEBCO is a self-funded, group purchasing consortium that offers medical, dental, vision, and prescription drug coverage as well as life insurance. Various plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit copays, and out-of-pocket maximums. CEBCO is governed by a Board of Directors comprised mainly of representatives of counties that participate in the program. CEBCO was incorporated as a governmental health insurance pool on October 28, 2003. Operations and plan coverage officially began on January 1, 2004.

Members sign a three-year commitment to CEBCO. Premiums are paid on a monthly basis. Pursuant to participation agreements with CEBCO, 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 CEBCO. The assigned funding rates consist of the following components: administrative fees, stop loss fees, expected claims 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, 2008, eighteen Ohio counties were members of CEBCO as medical coverage participants. Two other counties opted for CEBCO's life insurance program only. During the fiscal year 2008, four new counties joined CEBCO's medical coverage program, and no counties withdrew from the program. The County Commissioners Association of Ohio was also a program member in 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

CEBCO uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, CEBCO has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of funds in interest-bearing checking accounts and short-term money market securities. CEBCO maintains cash balances which are in excess of those insured by the Federal Depository Insurance Corporation. However, to date, no losses have been experienced.

Investments

CEBCO holds Level 1 and Level 2 investments. For Level 1 investments the fair market values are readily determinable using quoted prices in active markets for identical assets as determined by FAS 157: *Fair Value Measurements.* For Level 2 investments, the fair value is based on prices from broker-dealers who derive fair values for those assets from observable inputs. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law.

Premiums 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. Premiums collected in advance of applicable coverage periods are classified as unearned premiums.

Reserve for Unpaid Claims

CEBCO'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, 2008. This includes an estimate of claims incurred but not yet reported as of December 31, 2008. While information is available for the known losses, the liability for which has been established on a case-by-case basis, the unknown losses are based on the CEBCO's best estimate of such liabilities.

Although CEBCO 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 assets in the period in which estimates are changed. Reserves are not discounted.

Capital Assets

CEBCO's capital assets are reported at historical cost net of depreciation. All capital assets are depreciated using the straight-line method of depreciation.

Risk Management

CEBCO is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. CORSA, a property and liability risk sharing pool sponsored by the County Commissioners Association of Ohio (CCAO) provides General Liability, Errors and Omissions, Property, and Crime coverage to CEBCO. Since the CCAO, along with its related corporations, is a member of CEBCO, the medical and dental coverage for CEBCO employees is provided by CEBCO.

Accounting for Uncertainty in Income taxes

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48 ("FIN 48"), which clarifies generally acceptable accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FIN 48 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by FIN 48 (as amended), CEBCO has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, the CEBCO evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

3. CASH AND INVESTMENTS

Cash and cash equivalents

Funds are maintained in cash and cash equivalents to meet the requirements for the payment of claims. The funds are kept in checking accounts, interest-bearing money market accounts, and in highly liquid securities in the investment pools. At December 31, 2008 the carrying amount of CEBCO's cash and cash equivalents was $13,155,084 and the bank balance was $13,155,084. Of this amount, $250,000 was insured or collateralized with securities held by the banks in CEBCO's name. $12,905,084 of the remaining balance was uninsured and is uncollateralized.

Investments

Investments held by CEBCO at December 31, 2008 are presented below, categorized by investment type and credit quality rating.

Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The CEBCO Investment Policy stipulates that assets may be invested only in obligations and securities of investment grade quality.

Investment Type	Fair Value	AAA
US Agency Bonds	$ 10,138,247	$ 10,138,247
Mortgage-Backed Bonds	17,216,590	17,216,590
Corporate Bonds	2,052,100	2,052,100
Mutual Funds	411,887	n/a
Total	$ 29,818,824	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is primarily managed by establishing guidelines for portfolio duration. The CEBCO Investment Policy stipulates that for fixed income securities, the maximum maturity for any single security is 5 years.

The following table presents CEBCO's bond investments as of December 31, 2008 by length of maturity.

		Maturities	
Investment Type	Fair Value	> than 1 year	1-5 years
US Agency Bonds	$ 10,138,247	$ -	$ 10,138,247
Mortgage-Backed Bonds	17,216,590		17,216,590
Corporate Bonds	2,052,100		2,052,100
Total	$ 29,406,937	$ -	$ 29,406,937

Concentration of credit risk for investments in any one issuer representing 5% or more of the total investments, excluding investments that are issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools or other pooled investments follows:

Corporate Bond	Rating	Maturities	Market Value	Percent of Portfolio
General Electric Cap Corp Medium	AAA	6/15/2012	$ 2,052,100	6.9%

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements (as amended),* requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by CEBCO impacted by this pronouncement include CEBCO's investments which are measured using quoted prices in active markets.

CEBCO partially adopted the provisions of FAS 157 for fiscal year 2008, but will delay adoption of non-financial assets and non-financial liabilities covered by FASB Staff Position No. FAS 157-2. This Staff Position permits companies to partially defer the effective date of FAS 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal year 2009.

When fully adopted, CEBCO will apply the provisions of FAS 157-2 to certain non-financial assets and liabilities and is currently evaluating the impact of the full adoption of this statement on the consolidated results of operations and consolidated financial position.

Fair values of financial instruments at December 31, 2008 follow:

Description	12/31/2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 29,818,824	$ 411,887	$ 29,406,937	$ -

5. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended December 31, 2008 and 2007 was as follows:

	12/31/07	Additions	Retirements	12/31/08	Depreciable Life
Computer equipment	$ 3,436	$ 6,213	$ -	$ 9,649	3 years
Furniture	26,163	2,940	-	29,103	5 years
Total	29,599	9,153	-	38,752	
Less accumulated depreciation					
Computer and equipment	3,437	974	-	4,411	
Furniture	18,121	4,216	-	22,337	
Total	21,558	5,190	-	26,748	
Net carrying amount	$ 8,041			$ 12,004	

	12/31/06	Additions	Retirements	12/31/07	Depreciable Life
Computer equipment	$ 3,436	$ -	$ -	$ 3,436	3 years
Furniture	21,272	4,891	-	26,163	5 years
Total	24,708	-	-	29,599	
Less accumulated depreciation					
Computer and equipment	3,437	-	-	3,437	
Furniture	14,113	4,008	-	18,121	
Total	17,550	4,008	-	21,558	
Net carrying amount	$ 7,158			$ 8,041	

6. RESERVE FOR UNPAID CLAIMS

As discussed in Note 1, the reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in the reserves for unpaid losses for CEBCO for the years ended December 31, 2008 and 2007:

	2008	2007
Reserve for unpaid claims, beginning of year	$ 4,735,600	$ 3,931,300
Incurred losses and loss adjustment expenses	71,137,607	46,682,808
Less payment of benefits	68,425,507	45,878,508
Reserve for unpaid claims, end of year	$ 7,447,700	$ 4,735,600

7. EXCESS INSURANCE COVERAGE

CEBCO obtained specific excess insurance from a reinsurer covering individual medical health claims in excess of $250,000 and $175,000 for the years ended December 31, 2008 and 2007.

8. RELATED PARTIES

CEBCO rented space from CCAO for its administrative activities during 2007. Rent expense for this space was $44,976 for 2007.

9. TAX STATUS

CEBCO is a not-for-profit corporation as defined under Section 115 of the Internal Revenue Code. Accordingly, CEBCO is exempt from federal, state and local taxes.

10. JOINT VENTURES

During 2008, CEBCO entered into a joint venture with CORSA and CCAO to form County Governance Facility, LLC, for which CEBCO owns 33.3% of the joint venture. County Governance Facility, LLC, was formed to improve, operate, and otherwise mange the company property located at 209 East State Street, Columbus, Ohio 43215. During 2008, CEBCO contributed $1,000,000 to fund their portion of the joint venture. CEBCO accounts for the investment under the equity method.

11. COMMITMENTS

Future minimum lease payments under a noncancellable operating lease for years subsequent to 2008 are as follows: $5,220 in fiscal year 2009.

CEBCO committed to pay $300,000 to County Governance Facility, LLC, for maintenance, repairs and up-keep relating to their property during 2009.

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REPORT OF INDEPENDENT AUDITORS ON OTHER FINANCIAL INFORMATION

Board of Directors
County Employee Benefits Consortium of Ohio, Inc.
Columbus, Ohio

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following required supplementary information on pages 16-18 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blue & Co., LLC

May 12, 2009

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

RECONCILIATION OF CLAIMS LIABILITY BY TYPE OF CONTRACT
YEARS ENDED DECEMBER 31, 2008 AND 2007

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2008: employee medical, pharmacy, dental, and vision benefits.

	Medical	Pharmacy	Dental	Vision	Total
Unpaid losses and loss adjustment expenses, beginning of year	$ 4,288,000	$ 429,400	$ 13,200	$ 5,000	$ 4,735,600
Plus: Incurred losses and loss adjustment expenses					
Provision for insured events of the current year	56,601,425	14,211,410	373,565	104,024	71,290,424
Provision for insured events of prior years	(152,817)	-	-	-	(152,817)
	56,448,608	14,211,410	373,565	104,024	71,137,607
Less: Payments					
Benefits attributable to insured events of the current year	50,361,714	13,959,010	368,565	104,324	64,793,613
Benefits attributable to insured events of the prior year	3,631,894	-	-	-	3,631,894
Total payments	53,993,608	13,959,010	368,565	104,324	68,425,507
Total unpaid losses and loss adjustment expenses, end of year	$ 6,743,000	$ 681,800	$ 18,200	$ 4,700	$ 7,447,700

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2007: employee medical, pharmacy, dental, and vision benefits.

	Medical	Pharmacy	Dental	Vision	Total
Unpaid losses and loss adjustment expenses, beginning of year	$ 3,523,000	$ 390,100	$ 13,900	$ 4,300	$ 3,931,300
Plus: Incurred losses and loss adjustment expenses					
Provision for insured events of the current year	37,732,967	8,859,133	244,668	75,923	46,912,691
Provision for insured events of prior years	(229,883)	-	-	-	(229,883)
	37,503,084	8,859,133	244,668	75,923	46,682,808
Less: Payments					
Benefits attributable to insured events of the current year	33,367,540	8,819,833	245,368	75,223	42,507,964
Benefits attributable to insured events of the prior year	3,370,544	-	-	-	3,370,544
Total payments	36,738,084	8,819,833	245,368	75,223	45,878,508
Total unpaid losses and loss adjustment expenses, end of year	$ 4,288,000	$ 429,400	$ 13,200	$ 5,000	$ 4,735,600

See report of independent auditors on other financial information on page 15.

The following table illustrates how CEBCO's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by CEBCO as of the end of each of the fiscal period. The rows of the table are defined as follows: (1) This line shows the total of the fiscal period's earned contribution revenues and investment revenues. (2) This line shows the fiscal year's other operating costs including overhead and claims expense not allocable to individual claims. (3) This line shows CEBCO's estimated incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the claims occurred (called the policy year). (4) This section shows the cumulative amounts paid as of the end of the policy year. (5) This section shows how each policy year's estimated incurred claims increased or decreased as of the end of the successive years. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

CLAIMS DEVELOPMENT
YEARS ENDED DECEMBER 31, 2008, 2007, 2006, 2005 AND 2004

	2008	2007	2006	2005	2004
1. Required contribution and investment and other revenue					
Earned	$ 84,755,353	$ 59,435,704	$ 54,239,220	$ 44,536,673	$ 24,685,175
Ceded	(1,379,739)	(1,430,626)	(1,353,094)	(1,267,476)	(632,208)
Net earned	83,375,614	58,005,078	52,886,126	43,269,197	24,052,967
2. Unallocated expenses	5,083,904	3,900,174	3,646,713	2,912,851	1,915,686
3. Estimated claims and expenses, end of policy year:					
Incurred	71,432,509	47,289,943	41,368,758	31,971,528	22,523,420
Ceded	(294,902)	(377,252)	(369,040)	(159,566)	(145,294)
Net incurred	71,137,607	46,912,691	40,999,718	31,811,962	22,378,126
4. Net paid claims as of:					
End of policy year	64,793,613	42,507,964	37,068,417	30,774,328	18,134,383
One year later		46,107,576	40,498,922	32,909,168	19,622,159
Two years later			40,547,249	32,901,826	19,596,863
Three years later				32,885,945	19,544,244
Four years later					19,544,080
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
5. Re-estimated net incurred claims and expense, as of:					
End of policy year	71,290,424	46,912,691	40,999,718	31,811,962	22,378,126
One year later		46,775,919	40,829,796	32,909,168	22,378,126
Two years later			40,829,795	32,901,826	19,596,863
Three years later				32,885,945	19,544,244
Four years later					19,544,080
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	$ -	$ (136,772)	$ -	$ (15,881)	$ (164)

See report of independent auditors on other financial information on page 15.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
County Employee Benefits Consortium of Ohio, Inc.
Columbus, Ohio

We have audited the financial statements of County Employee Benefits Consortium of Ohio, Inc., as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 12, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered County Employee Benefits Consortium of Ohio, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Employee Benefits Consortium of Ohio Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of County Employee Benefits Consortium of Ohio Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

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(continued)*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Employee Benefits Consortium of Ohio, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of County Employee Benefits Consortium of Ohio in a separate letter dated May 12, 2009.

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

Blue & Co., LLC

May 12, 2009

Mary Taylor, CPA
Auditor of State

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO

FRANKLIN 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
JUNE 11, 2009

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