COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2009 AND 2008

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, 2009 through December 31, 2009. 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

June 22, 2010

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COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

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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, 2009 and 2008, 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 audits 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, 2009 and 2008, 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 June 1, 2010, 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

June 1, 2010

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, 2009, 2008 and 2007. 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, fourteen more counties have joined CEBCO for medical coverage, and no county has withdrawn from the Consortium.

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, 2009, 2008 and 2007. More detailed information is available in the accompanying basic financial statements.

Table 1:

Assets	**2009**	**2008**	**2007**
Cash and cash equivalents	$ 8,907,383	$ 13,155,084	$ 9,371,666
Investments	32,063,285	29,818,824	23,926,913
Other assets	1,332,947	1,861,865	606,397
Total assets	42,303,615	44,835,773	33,904,976
Total liabilities	11,969,904	12,620,465	8,843,771
Net assets	$ 30,333,711	$ 32,215,308	$ 25,061,205

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 $33,904,976 at December 31, 2007; $44,835,773 at December 31, 2008 and $42,303,615 December 31, 2009. The decrease in 2009 is due mainly to an increase in claims paid compared to 2008 and a decrease in premiums received in the current year for the next fiscal year. CEBCO medical coverage enrollment grew from approximately 6,400 employee lives in the beginning of 2007 to 8,700 in 2008 to more than 9,200 in 2009.

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 42.7% between 2007 and 2008, and decreased 5.2% between 2008 and 2009. In December of 2009 only two counties paid their January 2010 premium, so unearned premium was significantly lower than in 2008.

At the end of its sixth year of operations, CEBCO realized net assets of $30,333,711. This is a decrease from the previous year in which CEBCO's total net assets were $32,215,308. The change is due primarily to the increase in claims made during the year due to additional lives covered.

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, 2009, 2008 and 2007. More detailed information is available in the accompanying basic financial statements.

Table 2:

Revenues	**2009**	**2008**	**2007**
Premiums earned (member contributions)	$ 91,843,023	$ 82,503,283	$ 58,037,037
Less: commercial insurance coverage	(1,347,182)	(1,379,739)	(1,430,626)
Total revenues	90,495,841	81,123,544	56,606,411
Expenses			
Claims paid and loss adjustments	88,496,545	71,137,607	46,682,808
Claims administration	3,975,425	3,795,139	2,812,028
Other general and administrative expenses	1,342,006	1,207,867	1,042,894
Total expenses	93,813,976	76,140,613	50,537,730
Excess of revenues over expenses/ (expenses over revenues)	(3,318,135)	4,982,931	6,068,681
Non-operating (expenses) income	1,436,538	2,171,172	1,353,415
Change in net assets	(1,881,597)	7,154,103	7,422,096
Net assets beginning of year	32,215,308	25,061,205	17,639,109
Net assets end of year	$ 30,333,711	$ 32,215,308	$ 25,061,205

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. For 2008 and 2009, CEBCO covered the first $250,000 and $300,000, respectively, for each medical claimant. The stop loss carrier (Anthem) reimbursed amounts above this level. Raising the amount to $300,000 lowered the stop loss fees in 2009. For 2010, the specific stop loss will increase to $400,000, lowering the stop loss fees even further. The Board of Directors and the CEBCO staff review the stop loss amount annually and increase the amount when warranted.

Total revenues increased from $81,123,544 in 2008 to $90,495,841 in 2009, a 11.6% increase. In 2009, two new counties joined CEBCO, adding more than 500 employee lives.

Total revenues increased from $56,606,411 in 2007 to $81,123,544 in 2008, a 30.2% increase. In January of 2008, four new counties joined CEBCO, adding more than 2,300 employee lives.

Expenses increased 50.7% between 2007 and 2008, and 23.2% between 2008 and 2009. Claims paid, claims administration and general administrative expenses increased as new members joined CEBCO and new programs and coverage expansions were implemented.

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 2008 and 2009, the LLC realized a net loss of $54,144 and $40,845, respectively. CEBCO's share in the loss was $18,047 and $13,615. The LLC losses were mainly due to the building's depreciation.

The operating gain/(loss), was $6,068,681 in 2007, $4,982,931 in 2008, and ($3,318,135) in 2009. These decreases in net income can be attributed to claims increasing at a higher rate than premium increases.

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 from operating activities was ($3,464,585) in 2009 compared to $8,738,621 in 2008. This decrease was caused by additional lives covered and an increase in claims paid during the year. 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 to cover claims and perpetuate investment income.

Cash from capital and financing activities changed from ($9,153) in 2008 to ($2,671) in 2009. Cash from investment activities changed from ($4,946,050) in 2008 to ($780,445) in 2009.

Trends and Strategic Planning

CEBCO has always looked 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. 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. In January of 2008, Caremark prescription 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 management is investigating other Wellness initiatives that could enhance services to its members and reduce future claims costs.

On March 23, 2010, the New Health Care Legislation was made into law. The aspects that could have a major impact on the CEBCO program will not take effect until 2014. There are several issues that will come to fruition much earlier, such as allowing dependents to remain on parent's health plan until age 26 (Ohio law allows until age 28), not allowing rescissions except for fraud, prohibiting lifetime/annual dollar maximums and banning pre-existing conditions exclusions for dependents under age 19. These issues will have a minimal impact upon our plan. The rules on how all of this will be implemented have not been issued as of yet, and the full impact of the legislation on the CEBCO program has not yet been determined. CEBCO is taking an active role in educating its members about the new legislation as information becomes available. CEBCO remains committed to providing a stable health insurance program to its members and is continually researching ways to enhance services.

CEBCO ended it first year of operations in 2004 with a deficiency in net assets. But every year after that has ended with positive net assets, increasing from $17.6 million in 2005 to $32.2 million in 2008. This is due to substantial growth and a conservative approach to funding, investing, and reserving. This approach over time made it possible to sustain a year with higher than expected claims costs such as 2009, which resulted in a net operating loss but still left over $30.3 million in net assets. CEBCO's management and board of directors understand the need to be prudent in these areas because of the volatility of the health care industry and the possibility of claims increases as the consortium matures.

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, 2009 AND 2008

ASSETS

Assets	**2009**	**2008**
Cash and cash equivalents	$ 8,907,383	$ 13,155,084
Investments	32,063,285	29,818,824
Prepaid expenses	211	500,609
Interest receivable	353,437	367,300
Property and equipment, net of depreciation	10,962	12,004
Investment in joint venture	968,337	981,952
Total assets	$ 42,303,615	$ 44,835,773

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	$ 2,252,369	$ 1,264,710
Unearned premium	721,935	3,908,055
Reserve for unpaid claims	8,995,600	7,447,700
Total liabilities	11,969,904	12,620,465
Net assets		
Net assets - unrestricted	30,322,749	32,203,304
Net assets - invested in capital assets	10,962	12,004
Total net assets	30,333,711	32,215,308
Total liabilities and net assets	$ 42,303,615	$ 44,835,773

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, 2009 AND 2008

Revenues	**2009**	**2008**
Premiums	$ 91,843,023	$ 82,503,283
Ceded premiums	(1,347,182)	(1,379,739)
Net premiums earned	90,495,841	81,123,544
Expenses		
Claims paid and loss adjustments	88,496,545	71,137,607
Claims administration	3,975,425	3,795,139
General and administrative	1,177,100	1,037,373
Commission	161,193	165,304
Depreciation	3,713	5,190
Total expenses	93,813,976	76,140,613
Operating Gains/(Loss)	(3,318,135)	4,982,931
Non-operating (expenses) income		
Investment income	1,101,340	1,512,627
Unrealized gains on investments	422,426	754,816
Loss on ownership interest	(13,615)	(18,047)
Investment fees	(73,613)	(80,898)
Other income	-	2,674
Non-operating income	1,436,538	2,171,172
Change in net assets	(1,881,597)	7,154,103
Net assets at beginning of year	32,215,308	25,061,205
Net assets at end of year	$ 30,333,711	$ 32,215,308

See accompanying notes to financial statements.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Operating activities		
Cash received for premiums and other	$ 88,656,903	$ 83,185,249
Cash paid for claims	(86,948,645)	(68,425,507)
Cash payments to vendors for services and goods	(3,463,224)	(4,218,993)
Cash paid for excess insurance	(1,347,182)	(1,379,739)
Cash paid to employees for wages and benefits	(362,437)	(422,389)
Net cash flows from operating activities	(3,464,585)	8,738,621
Capital and related financing activities		
Purchase of property and equipment	(2,671)	(9,153)
Net cash flows from capital and related financing activities	(2,671)	(9,153)
Investing activities		
Purchase of investments	(2,244,461)	(5,891,911)
Investment in joint venture	-	(1,000,000)
Interest received on investments and cash equivalents	1,464,016	1,945,861
Net cash flows from investing activities	(780,445)	(4,946,050)
Net change in cash and cash equivalents	(4,247,701)	3,783,418
Cash and cash equivalents - beginning of year	13,155,084	9,371,666
Cash and cash equivalents - end of year	$ 8,907,383	$ 13,155,084
Reconciliation of operating gains/(losses) to net cash from operating activities:		
Operating gains/(losses)	$ (3,318,135)	$ 4,982,931
Depreciation	3,713	5,190
Changes in operating assets and liabilities		
Reserve for unpaid claims	1,547,900	2,712,100
Other receivable	-	15,362
Prepaid expenses	500,398	(41,556)
Unearned premium	(3,186,120)	681,966
Accounts payable	987,659	382,628
Net cash flows from operating activities	$ (3,464,585)	$ 8,738,621

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, 2009, twenty 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 2009, two 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 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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, certificate of deposits, 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

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.

Reclassification

Certain amounts in the 2008 financial statements have been reclassified to conform to current year presentation. There were no changes in the previously reported change in net assets as a result of these classifications.

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, 2009. This includes an estimate of claims incurred but not yet reported as of December 31, 2009. 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.

Subsequent Events

CEBCO has evaluated events or transactions occurring subsequent to the statement of net assets date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued which is June 1, 2010.

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, 2009 the carrying amount of CEBCO's cash and cash equivalents was $8,907,383 and the bank balance was $8,907,383. Of this amount, $250,000 was insured or collateralized with securities held by the banks in CEBCO's name. $8,657,383 of the remaining balance was uninsured and is uncollateralized.

Investments

Investments held by CEBCO at December 31, 2009 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	AA
US Agency Bonds	$ 10,339,419	$ 10,339,419	$ -
Mortgage-Backed Bonds	17,662,893	17,662,893	-
Corporate Bonds	2,155,820	-	2,155,820
Mutual Funds	1,905,153	n/a	n/a
Total	$ 32,063,285		

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, 2009 by length of maturity.

		Maturities	
Investment Type	Fair Value	< than 1 year	1-5 years
US Agency Bonds	$ 10,339,419	$ 3,338,396	$ 7,001,023
Mortgage-Backed Bonds	17,662,893	4,509,851	13,153,042
Corporate Bonds	2,155,820	-	2,155,820
Total	$ 30,158,132	$ 7,848,247	$ 22,309,885

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	AA	6/15/2012	$ 2,155,820	6.7%

In 2009 and 2008, CEBCO used a percentage of investment income to lower the medical and prescription premium rates. The percentages used in each year were determined by approval of the Board of Directors. This resulted in an overall decrease in premiums of 1.3% in 2009 and 1.0% in 2008.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 inputs are readily determinable using unadjusted quoted prices for identical assets or liabilities in active markets. Level 2 inputs are derived from quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	$ 1,905,153	$ -	$ -	$ 1,905,153
Mortgage-backed bonds		$ 17,662,893		17,662,893
US Agency bonds	-	10,339,419	-	10,339,419
Corporate bonds	-	2,155,820	-	2,155,820
Total assets	$ 1,905,153	$ 30,158,132	$ -	$ 32,063,285

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 are as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	$ 411,887	$ -	$ -	$ 411,887
Mortgage-backed bonds		17,216,590		17,216,590
US Agency bonds	-	10,138,247	-	10,138,247
Corporate bonds	-	2,052,100	-	2,052,100
Total assets	$ 411,887	$ 29,406,937	$ -	$ 29,818,824

5. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended December 31, 2009 and 2008 was as follows:

	12/31/08	Additions	Retirements	12/31/09	Depreciable Life
Computer equipment	$ 9,649	$ 2,671	$ -	$ 12,320	3 years
Furniture	29,103	-	-	29,103	5 years
Total	38,752	2,671	-	41,423	
Less accumulated depreciation					
Computer and equipment	4,411	-	-	4,411	
Furniture	22,337	3,713	-	26,050	
Total	26,748	3,713	-	30,461	
Net carrying amount	$ 12,004			$ 10,962	

	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	

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, 2009 and 2008:

	2009	2008
Reserve for unpaid claims, beginning of year	$ 7,447,700	$ 4,735,600
Incurred losses and loss adjustment expenses	88,496,545	71,137,607
Less payment of benefits	86,948,645	68,425,507
Reserve for unpaid claims, end of year	$ 8,995,600	$ 7,447,700

7. EXCESS INSURANCE COVERAGE

CEBCO obtained specific excess insurance from a reinsurer covering individual medical health claims in excess of $300,000 and $250,000 for the years ended December 31, 2009 and 2008.

8. 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.

9. 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. CBCO's interest in the County Governance Facility, LLC at December 31, 2009 and 2008 was $968,337 and $981,952, respectively. CEBCO accounts for the investment under the equity method.

10. COMMITMENTS

CEBCO, CORSA and CCAO committed to pay $300,000 to County Governance Facility, LLC, for maintenance, repairs and up-keep relating to their property during 2010. CEBCO's portion of this commitment is $64,354.

CPAs / ADVISORS

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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 15-17 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

June 1, 2010

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

RECONCILIATION OF CLAIMS LIABILITY BY TYPE OF CONTRACT
YEARS ENDED DECEMBER 31, 2009 AND 2008

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2009: employee medical, pharmacy, dental, and vision benefits.

	Medical	Pharmacy	Dental	Vision	Total
Unpaid losses and loss adjustment expenses, beginning of year	$ 6,743,000	$ 681,800	$ 18,200	$ 4,700	$ 7,447,700
Plus: Incurred losses and loss adjustment expenses					
Provision for insured events of the current year	70,311,706	17,551,953	364,695	109,217	88,337,571
Provision for insured events of prior years	158,974	-	-	-	158,974
	70,470,680	17,551,953	364,695	109,217	88,496,545
Less: Payments					
Benefits attributable to insured events of the current year	62,050,426	17,434,653	364,395	108,917	79,958,391
Benefits attributable to insured events of the prior year	6,990,254	-	-	-	6,990,254
Total payments	69,040,680	17,434,653	364,395	108,917	86,948,645
Total unpaid losses and loss adjustment expenses, end of year	$ 8,173,000	$ 799,100	$ 18,500	$ 5,000	$ 8,995,600

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

See report of independent auditors on other financial information on page 14.

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, 2009, 2008, 2007, 2006, 2005 AND 2004

	2009	2008	2007	2006	2005	2004
1. Required contribution and investment and other revenue						
Earned	$ 93,353,174	$ 84,755,353	$ 59,435,704	$ 54,239,220	$ 44,536,673	$ 24,685,175
Ceded	(1,347,182)	(1,379,739)	(1,430,626)	(1,353,094)	(1,267,476)	(632,208)
Net earned	92,005,992	83,375,614	58,005,078	52,886,126	43,269,197	24,052,967
2. Unallocated expenses	5,317,431	5,083,094	3,900,174	3,646,713	2,912,851	1,915,686
3. Estimated claims and expenses, end of policy year:						
Incurred	89,093,702	71,585,326	47,289,943	41,368,758	31,971,528	22,523,420
Ceded	(756,131)	(294,902)	(377,252)	(369,040)	(159,566)	(145,294)
Net incurred	88,337,571	71,290,424	46,912,691	40,999,718	31,811,962	22,378,126
4. Net paid claims as of:						
End of policy year	79,958,391	64,793,613	42,507,964	37,068,417	30,774,328	18,134,383
One year later		71,723,793	46,107,576	40,498,922	32,909,168	19,622,159
Two years later			45,848,055	40,547,249	32,901,826	19,596,863
Three years later				40,592,450	32,885,945	19,544,244
Four years later					32,885,945	19,544,080
Five years later						19,544,080
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	88,337,571	71,290,424	46,912,691	40,999,718	31,811,962	22,378,126
One year later		71,723,793	46,775,919	40,829,796	32,909,168	22,378,126
Two years later			46,501,524	40,829,795	32,901,826	19,596,863
Three years later				40,829,795	32,885,945	19,544,244
Four years later					32,885,945	19,544,080
Five years later						19,544,080
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	$ -	$ 433,369	$ (274,395)	$ -	$ -	$ -

See report of independent auditors on other financial information on page 14.

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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, 2009 and 2008, and have issued our report thereon dated June 1, 2010. 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 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 misstatements on a timely basis. A material weakness is a deficiency, or 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.

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 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.

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*.

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)*

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

June 1, 2010

Mary Taylor, CPA
Auditor of State

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

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
JULY 6, 2010

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