

***COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.***

**FRANKLIN COUNTY, OHIO**

**REGULAR AUDIT WITH SUPPLEMENTAL INFORMATION**

**For the year ended December 31, 2019**







88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the County Employee Benefits Consortium of Ohio, Inc., Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

June 22, 2020

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**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
FRANKLIN COUNTY**

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Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Directors:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), Franklin County, Ohio as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CEBCO's preparation and fair presentation of the financial statements 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 CEBCO's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County Employee Benefits Consortium of Ohio, Inc., Franklin County, as of December 31, 2019, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of CEBCO. We did not modify our opinion regarding this matter.

***Other Auditors***

The financial statements of CEBCO, as of and for the year ended December 31, 2018, were audited by other auditors whose report dated May 10, 2019 expressed an unmodified opinion on these statements.

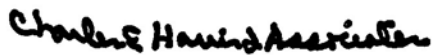
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of claims development, and schedule of reconciliation of reserve for unpaid claims by type of contract be presented to supplement the basic financial statements. Such information, 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 May 22, 2020, on our consideration of CEBCO'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 testing over financial reporting and compliance, and the results of that testing, and does not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CEBCO's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***

May 22, 2020



The Management of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) offers this overview of the organization and analysis of the financial activities of CEBCO for the fiscal years ended December 31, 2019, 2018 and 2017. 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.

## Financial Overview

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information.

The basic financial statements, which follow this section, provide both long-term and short-term information about CEBCO's financial status. CEBCO 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 CEBCO'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 nonoperating revenue and expenses. Operating revenue consists primarily of premiums received net of reinsurance premiums paid, with the major sources of operating expenses being claims and claims adjustment expense, and general and administrative expenses. Nonoperating 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 year.

In 2002, the County Commissioners Association of Ohio (CCAO) 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. 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. At December 31, 2019, CEBCO had a total of 36 member counties with medical coverage and 1 member county with dental and vision coverage only, and also provided insurance benefits for CCAO staff.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

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CEBCO is a self-funded, joint self-insurance consortium authorized pursuant to Section 9.833 of the Ohio Revised Code to offer medical, dental, vision, and prescription drug coverage. There are five PPO (Preferred Provider Organization) plans offered with five Prescription Drug Plans and three HDHP (High Deductible Health Plans) for the member counties to select from to create their benefit designs. Each county is assessed a fully insured equivalent rate on an annual basis, and premiums are paid into CEBCO monthly. Each county signs a three-year commitment to the CEBCO program.

In analyzing CEBCO's financial position, it is important to recognize the mission of CEBCO. From a financial perspective, CEBCO's core objective is to provide cost-effective and high-quality group medical and dental coverage for Ohio counties, including employee medical, prescription, dental, and vision benefits. CEBCO strives for stability in its premiums, so that counties can predict and manage their budgets.

Total estimated claims incurred for the policy year consist of claim payments and an estimate of claims incurred but not reported as 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.

CEBCO 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 (Anthem), although it does not discharge the primary liability of CEBCO as direct insurer. For the years ended December 31, 2019, 2018, and 2017, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$500,000 per subscriber, with no specific stop loss maximum. Management reviews the stop loss coverage every year to analyze the cost benefit of the coverage versus the premiums.

Approximately 97, 96, and 97 percent of total assets consist of cash and cash equivalents and investments at December 31, 2019, 2018, and 2017, respectively. Approximately 82, 70, and 63 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2019, 2018, and 2017, respectively. The increase in 2019 is due to a change in billing whereby the liability for unearned premium, and therefore total liabilities, were greatly diminished. Approximately 93, 94, and 94 percent of total operating expenses consist of claims expenses at December 31, 2019, 2018, and 2017, respectively. CEBCO participates in a joint venture for shared facility costs and has no significant investments in capital assets. CEBCO carries no long-term debt.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

CEBCO's financial position is presented below:

	December 31		
	2019	2018	2017
<b>Current Assets</b>			
Cash and cash equivalents	\$ 26,693,562	\$ 27,872,811	\$ 22,974,667
Investments	11,063,445	11,269,068	11,693,751
Other assets	1,343,893	2,159,712	1,549,408
Total current assets	<u>39,100,900</u>	<u>41,301,591</u>	<u>36,217,826</u>
<b>Noncurrent Assets</b>			
Investments	47,453,941	41,787,434	41,090,436
Other assets	1,031,873	1,039,255	1,073,893
Total noncurrent assets	<u>48,485,814</u>	<u>42,826,689</u>	<u>42,164,329</u>
 Total assets	 87,586,714	 84,128,280	 78,382,155
<b>Liabilities</b>			
Reserve for unpaid claims	15,996,000	14,163,002	12,417,000
Other liabilities	3,553,488	5,955,303	7,371,146
Total liabilities	<u>19,549,488</u>	<u>20,118,305</u>	<u>19,788,146</u>
<b>Net Position - Unrestricted</b>			
Net investment in capital assets	38,112	25,951	57,221
Unrestricted	67,999,114	63,984,024	58,536,788
Total net position	<u>\$ 68,037,226</u>	<u>\$ 64,009,975</u>	<u>\$ 58,594,009</u>

The following table shows the major components of income from operations:

	Year End December 31		
	2019	2018	2017
<b>Operating Revenue</b>	\$ 160,985,180	\$ 157,854,757	\$ 154,377,129
<b>Operating Expenses</b>			
Provision for claims	152,081,746	142,594,146	139,937,056
Claims administration	6,796,935	5,377,889	5,357,657
Other general and administrative	3,777,593	4,121,313	4,167,899
Total operating expenses	<u>162,656,274</u>	<u>152,093,348</u>	<u>149,462,612</u>
<b>Operating (Loss) Income</b>	(1,671,094)	5,761,409	4,914,517
<b>Nonoperating Revenue (Expenses)</b>			
Interest and dividend income	2,041,454	1,551,280	1,387,439
Realized and unrealized gains (losses) on investments	3,793,487	(1,787,606)	1,663,177
Other nonoperating income / (expenses)	(136,596)	(109,117)	(108,999)
Total nonoperating income	<u>5,698,345</u>	<u>(345,443)</u>	<u>2,941,617</u>
<b>Change in Net Position</b>	<u>\$ 4,027,251</u>	<u>\$ 5,415,966</u>	<u>\$ 7,856,134</u>

## Condensed Comparative Financial Highlights

- Reserve for unpaid claims (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, increased by \$1,833,000 in 2019 from 2018 and \$1,746,002 in 2018 from 2017. The increase in 2019 was primarily due to an increase in estimated incurred medical claims and an increase in lives covered with the addition of member counties. The increase in 2018 was primarily due to an increase in estimated incurred medical claims and a change in the timeliness of estimated payments.
- Overall, CEBCO's net position increased by \$4,027,451 from \$64,009,975 in 2018 to \$68,037,226 in 2019 and increased by \$5,415,566 from \$58,594,009 in 2017 to \$64,009,975 in 2018. The increase in 2019 was due to positive investment gains. The increase in 2018 was the result of an increase in premiums greater than the increase in the provision for claims.
- Operating revenue, which represents premiums net of reinsurance premium expense, increased by \$3,131,423 in 2019 and increased by \$3,477,628 in 2018. The increase in 2019 was due to an increase in covered lives with the addition of new member counties. The increase in 2018 was due to a general rate increase consistent with medical trends.
- Claims expenses were \$152,081,746, \$142,594,146, and \$139,937,056 for the years ended December 31, 2019, 2018, and 2017, respectively. Some of these increases were the result of changes in membership and the number of covered lives in the program during those years, as well as inflation in health care costs. In 2019 there was a marked increase in individual claimants exceeding the CEBCO Stop Loss Pooling Point of \$500,000.
- Nonoperating revenue increased by \$6,043,788 from 2018 to 2019 and decreased by \$3,287,060 from 2017 to 2018. Changes in respective years were attributable to changes in the market value of investments.

## Economic Factors and Trends

Through partnerships with Anthem, Express Scripts, Interactive Health, Delta Dental, VSP, and ComPsych, CEBCO continually strives to advance the most comprehensive health and wellness benefits available so that member counties are able to positively impact claims costs. Through engagement in the CEBCO programs, employees and their families are given the ability to address their personal health and well-being.

CEBCO continues to put a strong emphasis into wellbeing, an effort that began in 2011 with a grant program. The annual grant is used by each member county to offer onsite and local wellness initiatives. In 2014, the groundwork was laid for the next phase of the CEBCO wellness program, a consortium-wide incentive program. This program is designed to drive behavior change, encouraging members to focus on their personal health through completion of certain actions each year. Beginning in 2015, all member counties were

required to offer the program to their employees enrolled in the CEBCO medical plan. In 2016, eligibility was expanded to include covered spouses. Through a data analysis conducted in 2018, CEBCO found that counties who had more than 50% of their employees engaged in the wellness program from 2015 through 2017 received lower rate increases than counties with low engagement, under 20%. Higher engagement in this wellness program was generally tied to the type of incentive that was offered; incentives tied to the medical plan yielded much higher engagement than cash-like incentives. In 2018 and 2019, CEBCO focused on incentive design, working individually with each county to transition from modest cash-like incentives to employee premium differentials. Participation in the program in 2018 finally doubled the participation in 2015, the first year the program was offered, with one out of every three employees and spouses completing the program. In 2019 program completion increased to forty percent with various chronic conditions being eliminated in 1,158 or 16% of participants for an estimated annual claims cost avoidance of \$1.7 million. The low risk population increased while moderate and high-risk groups decreased from 2018 to 2019.

CEBCO is also committed to continually looking for other ways to control program costs. For example, CEBCO conducts a vendor Request for Proposal process every three years for key business partners. This competitive process identifies those vendors capable of delivering the greatest discounts and results in lower program costs for services provided.

At the date of this report, CEBCO is considering the impact that COVID-19 will have on claims costs in 2020, but projections are that the impact will not be substantial. 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. CEBCO is unaware of any economic events or legislative actions that would have a significant impact on the operations of CEBCO.

### **Contacting CEBCO's 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 questions about this report or need additional information, we welcome you to contact the Managing Director of Health and Wellness – 209 E State Street, Columbus, Ohio 43215.

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.**

**STATEMENT OF NET POSITION**

	December 31	
	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 26,693,562	\$ 27,872,811
Investments	11,063,445	11,269,068
Interest receivable	252,714	243,530
Premiums receivable	1,075,605	1,074,090
Other receivable	2,782	74,726
Prepaid Expenses	12,792	767,366
Total current assets	39,100,900	41,301,591
Noncurrent assets:		
Funds on deposit	85,150	80,650
Investments	47,453,941	41,787,434
Investment in joint venture	908,611	932,654
Capital assets - Net of depreciation	38,112	25,951
Total noncurrent assets	48,485,814	42,826,689
Total assets	87,586,714	84,128,280
<b>Liabilities - Current</b>		
Accounts payable	3,525,058	2,587,897
Reserve for unpaid claims	15,996,000	14,163,002
Unearned premium	28,430	3,367,406
Total liabilities	19,549,488	20,118,305
<b>Equity - Net position</b>		
Net investment in capital assets	38,112	25,951
Unrestricted	67,999,114	63,984,024
Total net position	<b>\$ 68,037,226</b>	<b>\$ 64,009,975</b>

Please see Notes to the Financial Statements.

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.**

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**

	<b>Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating Revenue</b>		
Premiums	\$ 165,213,365	\$ 161,470,601
Reinsurance premium expense (Note 5)	(4,228,185)	(3,615,844)
Total operating revenue	160,985,180	157,854,757
<b>Operating Expenses</b>		
Provision for claims (Note 4):		
Paid	150,248,746	140,848,144
Change in reserve for unpaid claims	1,833,000	1,746,002
Total claims expenses	152,081,746	142,594,146
Claims administration	6,796,935	5,377,889
General and administrative	1,947,592	1,714,328
Consulting and actuarial	699,501	454,926
Wellness Program and Grants	535,248	1,358,710
Commissions	574,293	562,079
Depreciation	20,959	31,270
Total operating expenses	162,656,274	152,093,348
<b>Operating Gain/(Loss)</b>	(1,671,094)	5,761,409
<b>Nonoperating Revenue (Expenses)</b>		
Interest and dividend income	2,041,454	1,551,280
Realized and unrealized gains (losses) on investments	3,793,487	(1,787,606)
Other Income	6,502	265
Gain/(Loss) on ownership interest in joint venture (Note 7)	(24,041)	(3,368)
Investment fees	(119,057)	(106,014)
Total nonoperating revenue	5,698,345	(345,443)
<b>Change in Net Position</b>	4,027,251	5,415,966
<b>Net Position - Beginning of year</b>	64,009,975	58,594,009
<b>Net Position - End of year</b>	<b>68,037,226</b>	<b>64,009,975</b>

Please see Notes to the Financial Statements.

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.**

**STATEMENT OF CASH FLOWS**

	<u>Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Cash received for premiums and other	\$ 161,987,577	\$ 160,376,205
Cash paid for claims and claims administration	(155,748,352)	(147,137,787)
Cash paid to vendors for services and goods	(3,094,202)	(3,431,461)
Cash paid for excess insurance	(3,879,735)	(3,660,918)
Cash paid for employee wages	(664,297)	(622,356)
<b>Net cash provided by operating activities</b>	<b>(1,399,009)</b>	<b>5,523,683</b>
<b>Cash Flows from Capital Activities</b>		
Cash paid for capital asset	(33,120)	-
Cash received on sale of capital asset	6,500	-
<b>Net cash provided by capital activities</b>	<b>(26,620)</b>	<b>-</b>
<b>Cash Flows from Investment Activities</b>		
Purchases of investment securities	(32,360,048)	(7,013,974)
Sales and maturities of investment securities	30,956,294	5,244,812
Interest income received from investments and cash equivalents	1,768,628	1,249,508
Investment fees paid	(118,493)	(105,885)
<b>Net cash provided by investing activities</b>	<b>246,381</b>	<b>(625,539)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(1,179,248)</b>	<b>4,898,144</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>27,872,811</b>	<b>22,974,667</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 26,693,563</b>	<b>\$ 27,872,811</b>
A reconciliation of operating income/(loss) to net cash provided by operating activities is as follows:		
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating Gain/(Loss)	(1,671,094)	5,761,409
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	20,959	31,270
Changes in assets and liabilities:		
Reserve for unpaid claims	1,833,000	1,746,002
Premium receivable	69,674	(453,055)
Other receivable	71,944	(74,726)
Funds on deposit	(4,500)	-
Prepaid expenses	754,574	(71,244)
Unearned premiums	(3,367,406)	(566,615)
Accounts payable	893,840	(849,358)
<b>Net cash provided by operating activities</b>	<b>\$ (1,399,009)</b>	<b>\$ 5,523,683</b>
<b>Noncash Investing Activities - Net unrealized gains/(losses) and amortization on investments</b>	<b>\$ 2,131,934</b>	<b>\$ (1,835,152)</b>

Please see Notes to the Financial Statements.



## **NOTE 1 – NATURE OF BUSINESS**

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. 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 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, 2019, 36 Ohio counties were members of CEBCO as medical coverage participants and one member subscribed to dental and vision coverage only. As of December 31, 2018, 33 Ohio counties were members of CEBCO as medical coverage participants and one member subscribed to dental and vision coverage only. During 2019, three new counties joined CEBCO's medical coverage program and no counties withdrew from the medical program. During 2018, two new counties joined CEBCO's medical coverage program and two counties withdrew from the medical program, with one county staying on CEBCO's dental and vision programs. In both years, CCAO's employees were also covered under CEBCO's medical, prescription, dental, and vision coverage.

## **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - CEBCO follows all applicable GASB pronouncements. The accompanying financial statements are presented using the accrual method of accounting.

CEBCO distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with CEBCO'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 nonoperating revenue and expenses.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents** - CEBCO 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.

**Investments** - Investments consist of bonds, mutual funds and equities which are stated at fair value. Investment income, including changes in the fair value of investments, is recognized as nonoperating 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.

CEBCO applied a flat amount of \$2,000,000 from net position in 2019 and 2018 to lower the medical and prescription premium rates. The amount used in each year was determined by approval of the board of directors.

**Rebates** – Prescription rebates cannot be reasonably estimated at year end. Therefore, rebates are recorded as a reduction in claims expense in the year that they are received. The amount of rebates received in 2019 that reduced the claims expenses in that year was \$9,202,653. The amount of rebates received in 2018 that reduced the claims expense in that year was \$7,749,031.

**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, 2019 and 2018. This includes an estimate of claims incurred but not yet reported as of December 31, 2019 and 2018.

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 position in the period in which estimates are changed. Reserves are not discounted.

**Capital Assets** - CEBCO's capital assets, which consist of automobiles and furniture and equipment, are reported at cost net of depreciation. All capital assets are depreciated using the straight-line method of depreciation. Furniture and equipment are depreciated over three to five years and vehicles are depreciated over five years. Costs of maintenance and repairs are charged to expense when incurred.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. The County Risk Sharing Authority (CORSA), a property and liability risk sharing pool sponsored by CCAO, provides general liability, errors and omissions, property, and crime coverage to CEBCO. CEBCO also utilizes outside Directors and Officer coverage through Underwriters at Lloyds, London. Since CCAO, along with its related corporations, are members of CEBCO, the medical and dental coverage for CCAO employees is provided by CEBCO. Settled claims relating to the above insurance coverages have not exceeded the amount of insurance coverage for each of the last three 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. At the discretion of the board of directors, net position may be designated for CEBCO's contingency reserve fund. The contingency 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. The contingency reserve fund is not to be used for wellness initiatives or to reduce premiums. The value of the contingency reserve fund will fluctuate based on changes in the fair market value of the investments held within the contingency reserve investment accounts. At December 31, 2019 and 2018, the net position designated for the contingency reserve fund totaled \$13,788,751 and \$12,968,634, respectively.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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 the reserve for unpaid claims as described in Notes 3 and 4, respectively.

**Tax Status** - CEBCO'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 at December 31, 2019 or 2018.

## **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events** - CEBCO 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 May 22, 2019.

## **NOTE 3 – DEPOSITS AND INVESTMENTS**

CEBCO's investment policy authorizes CEBCO to make investments in the following allowable assets: cash equivalents (U.S. Treasury Bills, money market funds, commercial paper, repurchase agreements, and certificates of deposit), fixed income securities of all investment grade quality (including U.S. government and agency securities, mortgage-related obligations, U.S. corporate debt securities, and asset backed securities), real estate investments which include ownership interests in office property or in companies whose sole asset is office property, risk assets (U.S. listed stocks, U.S. high yield bonds, international equities, and bank loans), and mutual funds and/or exchange traded funds.

CEBCO's investments are held in CEBCO's name. CEBCO has designated Huntington Bank, Wells Fargo, and Vanguard for deposit of its funds. Asset Allocation and Management Company, LLC acts as the fixed-income portfolio manager.

CEBCO's cash and investments are subject to several types of risk, which are examined in more detail below:

**Deposits** - Cash and cash equivalents include operating and claims checking accounts, money market accounts and funds and an insured cash sweep fund. Cash and cash equivalents totaled \$26,693,562 and \$27,872,811 at December 31, 2019 and 2018, respectively.

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, CEBCO's deposits may not be returned to it. CEBCO does not have a deposit policy for custodial credit risk beyond state requirements. At year end, CEBCO had bank deposits of \$26,693,562. Of this amount, \$16,386,908 was insured by the Federal Depository Insurance Corporation (FDIC). CEBCO believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, CEBCO evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Investments** - Investments are reported at fair value. At December 31, 2019 and 2018, CEBCO had the following investments:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

Investment Type	Fair Value	
	2019	2018
Fixed-income securities	\$ 46,060,084	\$ 41,552,845
Mutual funds - Equities	8,334,430	9,285,714
Mutual funds - Bonds	4,122,871	2,217,943
Total investments	<u>\$ 58,517,385</u>	<u>\$ 53,056,502</u>

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Interest rate risk is primarily managed by establishing guidelines for portfolio duration and average maturity. CEBCO's investment policy stipulates that CEBCO's bond portfolio must have an average maturity of 10 years or less.

At December 31, 2019, CEBCO had the following average maturities of fixed-income securities:

Investment Type	2019	
	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 4,929,762	5.69
Asset-backed securities	4,505,957	1.42
Corporate bonds	16,170,036	4.34
Mutual funds - High yield bonds	2,130,162	3.40
Mutual funds - Bank loans	1,992,709	4.95
Mortgage back/Collateralized mortgage-back securities	15,368,237	4.44
Municipal bonds	5,086,092	4.08
Total	<u>\$ 50,182,955</u>	

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

At December 31, 2018, CEBCO had the following average maturities of fixed-income securities:

Investment Type	2018	
	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 4,902,646	6.25
Asset-backed securities	4,188,298	1.24
Corporate bonds	16,472,046	4.76
Mutual funds - High yield bonds	2,217,943	6.8
Mortgage-based collateralized mortgage-backed securities	12,095,643	4.98
Municipal bonds	3,894,212	4.43
Total	<u>\$ 43,770,788</u>	

**Credit Risk** - Credit risk is the risk that an issuer to an investment will not fulfill its obligations.

At December 31, 2019, the credit quality ratings of fixed-income securities by type are as follows:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

Investment	2019		
	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 3,170,180	Aaa	Moody's
	<u>1,335,777</u>	AAA	S&P
Total asset-backed securities	<u>4,505,957</u>		
Corporate bonds	335,774	Aaa	Moody's
	285,108	Aa1	Moody's
	581,190	Aa2	Moody's
	1,291,858	Aa3	Moody's
	1,318,477	A1	Moody's
	2,780,798	A2	Moody's
	2,250,570	A3	Moody's
	2,948,693	Baa1	Moody's
	2,662,515	Baa2	Moody's
	1,468,908	Baa3	Moody's
	86,154	BBB	Moody's
	159,991	Not Rated	
Total corporate bonds	<u>16,170,036</u>		
U.S. Treasury securities	<u>4,929,762</u>	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	1,449,013	AAA	S&P
	36,748	Aaa	Fitch
	<u>13,882,476</u>	AA+	Moody's
Total Mortgage-backed/collateralized mortgage-backed securities	<u>15,368,237</u>		
Municipal bonds	775,728	Aaa	Moody's
	2,094,178	Aa1	Moody's
	1,320,698	Aa2	Moody's
	361,499	Aa3	Moody's
	149,441	AAA	S&P
	<u>384,548</u>	AA+	S&P
Total municipal bonds	<u>5,086,092</u>		
Mutual funds - High yield bonds	<u>2,130,162</u>	B	Moody's
Mutual funds - Bank loans	\$ <u>1,992,709</u>	B	S&P

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
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**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

At December 31, 2018, the credit quality ratings of fixed-income securities by type are as follows:

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 2,627,405	Aaa	Moody's
	1,560,893	AAA	S&P
Total	<u>\$ 4,188,298</u>		
Corporate bonds	\$ 322,912	Aaa	Moody's
	270,056	Aa1	Moody's
	559,279	Aa2	Moody's
	1,236,260	Aa3	Moody's
	1,379,688	A1	Moody's
	2,204,066	A2	Moody's
	3,095,752	A3	Moody's
	4,121,103	Baa1	Moody's
	2,614,829	Baa2	Moody's
	601,676	Baa3	Moody's
	66,425	BBB	Kroll
Total	<u>\$ 16,472,046</u>		
U.S. Treasury securities	<u>\$ 4,902,646</u>	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	\$ 799,312	AAA	S&P
	62,090	AA+	S&P
	11,234,241	Aaa	Moody's
Total	<u>\$ 12,095,643</u>		
Municipal bonds	\$ 363,467	Aaa	Moody's
	1,884,484	Aa1	Moody's
	1,283,398	Aa2	Moody's
	153,308	Aa3	Moody's
	209,555	Not Rated	
Total	<u>\$ 3,894,212</u>		
Mutual Funds - High yield bonds	<u>\$ 2,217,943</u>	B	Moody's



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

**Concentration of Credit Risk** - Excluding investments issued or guaranteed by the U.S. government, there were no investments that individually exceeded 5 percent of CEBCO's total investments at December 31, 2019 and 2018, respectively.

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. CEBCO's investment policy does not address foreign currency risk. CEBCO has no investments subject to foreign currency risk.

**NOTE 4 – RESERVE FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES**

The reserve for claims incurred but not reported is estimated by an independent actuary based upon CEBCO's historical experience of claims incurred prior to December 31, 2019. The estimates reflect the best judgment as to the potential for claims to increase beyond the amounts already paid. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

The following table represents changes in the reserve for unpaid claims for CEBCO for the years ended December 31, 2019, 2018, and 2017, respectively:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
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**NOTE 4 – RESERVE FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES**  
**(Continued)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Reserves for Unpaid Claims and Claim Adjustment Expenses - Beginning of year</b>	\$ 14,163,000	\$ 12,417,000	\$ 15,307,200
<b>Incurred Claims and Claim Adjustment Expenses</b>			
Provision for claims incurred in current year	155,765,281	144,575,060	144,810,069
Change in provision for claims incurred in prior years	(3,683,535)	(1,980,915)	(4,873,013)
Total incurred claims and claim adjustment expenses	152,081,746	142,594,145	139,937,056
<b>Payments</b>			
Claims and claim adjustment expenses paid for claims incurred in current year	139,769,281	130,412,060	132,393,069
Claims and claim adjustment expenses paid for claims incurred in prior years	10,479,465	10,436,085	10,434,187
Total payments	150,248,746	140,848,145	142,827,256
<b>Reserves for Unpaid Claims and Claim Adjustment Expenses - End of year</b>	\$ 15,996,000	\$ 14,163,000	\$ 12,417,000

Reserves for unpaid claims and claim adjustment expenses attributable to insured events in prior years changed as a result of re-estimation of unpaid claims and claim adjustment expenses. This change is generally a result of ongoing analysis of recent loss development. Original estimates are increased or decreased as additional information becomes known regarding claims payments.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
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**NOTE 5 – EXCESS INSURANCE COVERAGE**

CEBCO has obtained 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 from the excess insurance carrier, although it does not discharge the primary liability of CEBCO as direct insurer of the risks reinsured. For the years ended December 31, 2019 and 2018, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$500,000 per subscriber, with no specific stop loss maximum. Premiums under this contract during the years ended December 31, 2019 and 2018 totaled \$4,228,185 and \$3,615,844, respectively.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance <u>January 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2019</u>
Furniture and equipment	\$ 20,795	\$ -	\$ -	\$ 20,795
Vehicles	<u>174,583</u>	<u>33,120</u>	<u>(31,000)</u>	<u>176,703</u>
Subtotal	195,378	33,120	(31,000)	197,498
Less Accumulated Depreciation:				
Furniture and equipment	20,352	443	-	20,795
Vehicles	<u>149,075</u>	<u>20,516</u>	<u>(31,000)</u>	<u>138,591</u>
Subtotal	<u>169,427</u>	<u>20,959</u>	<u>(31,000)</u>	<u>159,386</u>
Net capital assets	<u>\$ 25,951</u>	<u>\$ 12,161</u>	<u>\$ -</u>	<u>\$ 38,112</u>

	Balance <u>January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2018</u>
Furniture and equipment	\$ 20,795	\$ -	\$ -	\$ 20,795
Vehicles	<u>174,583</u>	<u>-</u>	<u>-</u>	<u>174,583</u>
Subtotal	195,378	-	-	195,378
Less Accumulated Depreciation:				
Furniture and equipment	19,822	530	-	20,352
Vehicles	<u>118,335</u>	<u>30,740</u>	<u>-</u>	<u>149,075</u>
Subtotal	<u>138,157</u>	<u>31,270</u>	<u>-</u>	<u>169,427</u>
Net capital assets	<u>\$ 57,221</u>	<u>\$ (31,270)</u>	<u>\$ -</u>	<u>\$ 25,951</u>

**NOTE 6 – CAPITAL ASSETS (Continued)**

Depreciation expense was \$20,959 and \$31,270 for December 31, 2019 and 2018, respectively.

**NOTE 7 – JOINT VENTURE**

During 2008, CEBCO entered into a joint venture with CORSA and CCAO to form County Governance Facility, LLC. CEBCO owns 33.3 percent of this joint venture. County Governance Facility, LLC, was formed to improve, operate, and otherwise manage the company property located at 209 East State Street, Columbus, Ohio 42315. During 2008, CEBCO contributed \$1,000,000 to fund their portion of the joint venture. During 2012, CEBCO contributed an additional \$58,291 to County Governance Facility, LLC, for capital improvements on the property. CEBCO's interest in the County Governance Facility, LLC at December 31, 2019 and 2018 was \$908,611 and \$932,654, respectively. CEBCO accounts for the investment under the equity method.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

CEBCO and its property and liability counterpart, CORSA, were created by the County Commissioners Association of Ohio (CCAO) to provide insurance for county employees. The three entities share office space, services, and operating expenses, which include salaries, telephone service, internet service, supplies, postage, and subscriptions. CCAO pays for most of these services, and CORSA and CEBCO pay CCAO for their portion based on an allocation approved by all three boards of directors. All employees of CEBCO are employed by CCAO. Other shared services include health care coverage provided by CEBCO, property and liability coverage provided by CORSA, and additional external directors and officers coverage purchased by CORSA. Investment consulting and management services are shared between CEBCO and CORSA. The amount paid to CCAO by CEBCO for shared services and reimbursements was \$1,214,465 and \$1,174,029 for December 31, 2019 and 2018, respectively. The amount paid for investment and insurance expenses by CEBCO to CORSA was \$158,088 and \$144,584 for December 31, 2019 and 2018, respectively.

**NOTE 9 – FAIR VALUE MEASUREMENT**

CEBCO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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**NOTE 9 – FAIR VALUE MEASUREMENT (Continued)**

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. CEBCO’s assessment of the significance of the particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 are as follows:

Assets Measured at Fair Value on a Recurring Basis				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance at December 31 2019
Debt securities:				
Mutual Funds - High yield bonds	\$ 2,130,162	\$ -	\$ -	\$ 2,130,162
Mutual Funds - Bank loans	1,992,709	-	-	1,992,709
Asset-backed securities	-	4,505,957	-	4,505,957
Corporate bonds	-	16,170,036	-	16,170,036
U.S. Treasury securities	4,929,762	-	-	4,929,762
Mortgage-backed/collateralized mortgage securities	-	15,368,237	-	15,368,237
Municipal bonds	-	5,086,092	-	5,086,092
Total debt securities	<u>\$ 9,052,633</u>	<u>\$ 41,130,322</u>	<u>\$ -</u>	<u>\$ 50,182,955</u>
Equity securities - Mutual Funds	8,334,430	-	-	8,334,430
Total	<u>\$ 17,387,063</u>	<u>\$ 41,130,322</u>	<u>\$ -</u>	<u>\$ 58,517,385</u>

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 are as follows:

Assets Measured at Fair Value on a Recurring Basis				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance at December 31 2018
Debt securities:				
Mutual Funds - High yield bonds	\$ 2,217,943	\$ -	\$ -	\$ 2,217,943
Asset-backed securities	-	4,188,298	-	4,188,298
Corporate bonds	-	16,472,046	-	16,472,046
U.S. Treasury securities	4,902,646	-	-	4,902,646
Mortgage-backed/collateralized mortgage securities	-	12,095,643	-	12,095,643
Municipal bonds	-	3,894,212	-	3,894,212
Total debt securities	<u>\$ 7,120,589</u>	<u>\$ 36,650,199</u>	<u>\$ -</u>	<u>\$ 43,770,788</u>
Equity securities - Mutual Funds	9,285,714	-	-	9,285,714
Total	<u>\$ 16,406,303</u>	<u>\$ 36,650,199</u>	<u>\$ -</u>	<u>\$ 53,056,502</u>

**NOTE 9 – FAIR VALUE MEASUREMENT (Continued)**

The fair value of U.S. Treasury securities and mutual funds are determined primarily using prices quoted in active markets and are classified as Level 1.

The fair value of asset-backed securities, corporate bonds, mortgage-backed/collateralized mortgage obligations, and municipal bonds are determined primarily by using other observable inputs, such as quoted prices for identical or similar assets in markets that are not active, contractual cash flows, credit spreads, and interest rates and yield curves that are observable at commonly quoted intervals. These fair values are classified as Level 2.

**NOTE 10 – SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of CEBCO. CEBCO's investment portfolio have incurred significant decline in fair value, consistent with the general decline in financial markets. However, because the values of the individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on CEBCO's future operating costs, revenues, and any recovery from emergency fund, either federal or state, cannot be estimated.

## **Required Supplementary Information**

## Claims Development Information

The table on the following page illustrates how CEBCO earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by CEBCO as of the end of each of the last 10 years. The columns of the table show data for successive policy years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of CEBCO, including overhead and claims expense not allocable to individual claims.
3. This line shows CEBCO's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by excess insurers as of the end of the current year for each policy year.
6. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.



**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CLAIMS DEVELOPMENT**  
**AS OF DECEMBER 31, 2019**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contribution and investment and other revenue										
Earned	\$ 94,032,182	103,829,827	109,146,419	112,861,904	139,032,206	151,284,450	172,111,301	160,812,466	161,231,171	171,030,765
Ceded	739,999	840,548	1,114,484	1,059,623	1,827,829	2,704,190	3,203,896	3,387,582	3,615,844	4,228,185
Net earned	93,292,183	102,989,279	108,031,935	111,802,281	137,204,377	148,580,260	168,907,405	157,424,884	157,615,327	166,802,579
2. Unallocated expenses	5,504,932	5,831,729	6,197,311	6,642,977	8,799,834	9,743,953	10,538,564	9,631,694	9,605,215	10,693,585
3. Estimated claims and expenses, end of policy year:										
Incurred	81,920,983	90,620,600	98,454,324	110,146,663	135,352,475	149,825,654	165,050,114	147,637,396	153,361,975	158,106,975
Ceded	386,511	776,991	1,837,589	5,163,900	3,979,604	3,491,747	2,561,815	2,827,327	8,786,916	2,329,891
Net incurred	81,534,472	89,843,609	96,616,735	104,982,763	131,372,871	146,333,907	162,488,299	144,810,069	144,575,060	155,777,085
4. Net paid claims as of:										
End of policy year	74,439,272	81,577,208	86,602,835	92,630,140	116,840,171	130,130,005	147,181,099	132,393,069	130,412,060	139,769,281
One year later	81,049,187	88,502,097	96,937,542	103,064,992	127,039,972	141,308,869	157,289,113	142,904,501	140,733,354	
Two years later	80,963,771	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419		
Three years later	80,951,185	88,254,429	97,083,331	103,467,457	127,161,862	141,577,347	157,317,850			
Four years later	80,951,185	88,254,429	97,083,331	103,467,457	127,172,217	141,580,929				
Five years later	80,951,185	88,254,429	97,083,331	103,467,457	127,169,333					
Six years later	80,951,185	88,254,429	97,083,331	103,468,179						
Seven years later	80,951,185	88,254,429	97,084,059							
Eight years later	80,951,185	88,254,429								
Nine years later	80,951,185									
5. Re-estimated ceded claims and expenses	386,511	776,991	1,837,589	5,776,358	4,081,771	3,568,983	2,829,206	3,067,925	9,140,400	2,329,891
6. Re-estimated net incurred claims and expense, as of:										
End of policy year	81,534,472	89,843,609	96,616,735	104,982,763	131,372,871	146,333,907	162,488,299	144,810,069	144,575,060	155,765,281
One year later	81,049,187	88,502,097	96,937,542	103,064,992	127,039,971	141,308,869	157,289,113	142,904,501	140,733,354	
Two years later	80,963,771	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419		
Three years later	80,951,185	88,254,429	97,083,331	103,467,457	127,161,862	141,577,347	157,317,850			
Four years later	80,951,185	88,254,429	97,083,331	103,467,457	127,172,217	141,580,929				
Five years later	80,951,185	88,254,429	97,083,331	103,467,457	127,169,333					
Six years later	80,951,185	88,254,429	97,083,331	103,468,179						
Seven years later	80,951,185	88,254,429	97,084,059							
Eight years later	80,951,185	88,254,429								
Nine years later	80,951,185									
7. Increase (decrease) in estimated incurred claims from original estimate	(583,287)	(1,589,180)	467,324	(1,514,584)	(4,203,538)	(4,752,978)	(5,170,449)	(1,812,650)	(3,841,706)	0

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**RECONCILIATION OF RESERVE FOR UNPAID CLAIMS BY TYPE OF CONTRACT**  
**AS OF DECEMBER 31, 2019**

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2019: employee medical, pharmacy, dental, and vision benefits.

	Medical	Pharmacy	Dental	Vision	Total
Reserves for unpaid claims and claims expenses - beginning of year	\$ 13,655,000	\$ 434,000	\$ 61,000	\$ 13,000	\$ 14,163,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	127,859,901	25,473,119	2,168,375	263,886	155,765,281
Change in provision for claims incurred in prior years	(3,268,719)	(408,095)	(5,412)	(1,309)	(3,683,535)
Total Incurred	124,591,182	25,065,024	2,162,963	262,577	152,081,746
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	112,473,901	24,935,119	2,107,375	252,886	139,769,281
Claims and claims expenses paid for claims incurred in prior years	10,386,281	25,905	55,588	11,691	10,479,465
Total Payments	122,860,182	24,961,024	2,162,963	264,577	150,248,746
Reserves for unpaid claims and claims expenses - end of year	\$ 15,386,000	\$ 538,000	\$ 61,000	\$ 11,000	\$ 15,996,000

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2018: employee medical, pharmacy, dental, and vision benefits.

	Medical	Pharmacy	Dental	Vision	Total
Reserves for unpaid claims and claims expenses - beginning of year	\$ 12,044,000	\$ 281,000	\$ 79,000	\$ 13,000	\$ 12,417,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	119,189,652	23,041,541	2,087,544	256,323	144,575,060
Change in provision for claims incurred in prior years	(1,703,834)	(267,418)	(7,869)	(1,794)	(1,980,915)
Total Incurred	117,485,818	22,774,123	2,079,675	254,529	142,594,145
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	105,534,652	22,607,541	2,026,544	243,323	130,412,060
Claims and claims expenses paid for claims incurred in prior years	10,340,166	13,582	71,131	11,206	10,436,085
Total Payments	115,874,818	22,621,123	2,097,675	254,529	140,848,145
Reserves for unpaid claims and claims expenses - end of year	\$ 13,655,000	\$ 434,000	\$ 61,000	\$ 13,000	\$ 14,163,000

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2017: employee medical, pharmacy, dental, and vision benefits.

	Medical	Pharmacy	Dental	Vision	Total
Reserves for unpaid claims and claims expenses - beginning of year	\$ 14,888,000	\$ 343,000	\$ 65,000	\$ 11,200	\$ 15,307,200
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	119,543,451	22,978,187	2,036,580	251,851	144,810,069
Change in provision for claims incurred in prior years	(4,493,407)	(375,373)	(4,497)	264	(4,873,013)
Total Incurred	115,050,044	22,602,814	2,032,083	252,115	139,937,056
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	107,499,451	22,697,187	1,957,580	238,851	132,393,069
Claims and claims expenses paid for claims incurred in prior years	10,394,593	(32,373)	60,503	11,464	10,434,187
Total Payments	117,894,044	22,664,814	2,018,083	250,315	142,827,256
Reserves for unpaid claims and claims expenses - end of year	\$ 12,044,000	\$ 281,000	\$ 79,000	\$ 13,000	\$ 12,417,000

**INDEPENDENT AUDITOR'S 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**

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States 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 County Employee Benefits Consortium of Ohio, Inc., Franklin, (CEBCO) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements and have issued our report thereon dated May 22, 2020, wherein we noted that other auditors audited the basic financial statements of CEBCO as of and for the year ended December 31, 2018. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of CEBCO.

***Internal Control over Financial Reporting***

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

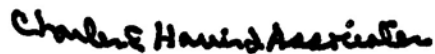
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether CEBCO'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 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*.

***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 CEBCO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEBCO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
May 22, 2020

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
JULY 2, 2020**