

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

**FRANKLIN COUNTY, OHIO**

**REGULAR AUDIT WITH SUPPLEMENTAL INFORMATION**

**For the year ended December 31, 2020 and 2019**





OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPARreport@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, 2020 through December 31, 2020. 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 21, 2021

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

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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 years ended December 31, 2020 and 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, 2020 and 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 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 April 30, 2021, 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.**  
April 30, 2021



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, 2020, 2019 and 2018. 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, 2020, CEBCO had a total of 39 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, 2020 AND 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 standard PPO (Preferred Provider Organization) plans offered, along with five standard Prescription Drug Plans and three standard HDHP (High Deductible Health Plans) for the member counties to select from to create their benefit designs. In addition, counties may select one of our current legacy plans that is in effect for a current member county. 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 with penalties assessed for early withdrawal.

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 year ended December 31, 2020, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$700,000 per subscriber, except for one subscriber whose specific stop loss deductible amount was \$2,000,000, with no specific stop loss maximum. 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. Management reviews the stop loss coverage every year to analyze the cost benefit of the coverage versus the premiums.

Approximately 98, 97, and 96 percent of total assets consist of cash and cash equivalents and investments at December 31, 2020, 2019, and 2018, respectively. Approximately 93, 82, and 70 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2020, 2019, and 2018, respectively. The increases in 2020 and 2019 were due to billing changes and timing which decreased other liabilities. Approximately 94, 93, and 94 percent of total operating expenses consist of claims expenses at December 31, 2020, 2019, and 2018, 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. CEBCO's financial position is presented below:

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019

	December 31		
	2020	2019	2018
<b>Current assets:</b>			
Cash and cash equivalents	\$ 30,110,339	\$ 26,693,562	\$ 27,872,811
Investments	11,853,360	11,063,445	11,269,068
Other assets	399,009	1,343,893	2,159,712
<b>Total current assets</b>	<b>42,362,708</b>	<b>39,100,900</b>	<b>41,301,591</b>
<b>Noncurrent assets:</b>			
Investments	49,414,390	47,453,941	41,787,434
Other assets	1,232,498	1,031,873	1,039,255
<b>Total noncurrent assets</b>	<b>50,646,888</b>	<b>48,485,814</b>	<b>42,826,689</b>
<b>Total assets</b>	<b>93,009,596</b>	<b>87,586,714</b>	<b>84,128,280</b>
<b>Liabilities</b>			
Reserve for unpaid claims	16,820,000	15,996,000	14,163,002
Other liabilities	1,202,329	3,553,488	5,955,303
<b>Total liabilities</b>	<b>18,022,329</b>	<b>19,549,488</b>	<b>20,118,305</b>
<b>Net position - Unrestricted</b>			
Net investment in capital assets	108,893	38,112	25,951
Unrestricted	74,878,374	67,999,114	63,984,024
<b>Total net position</b>	<b>\$ 74,987,267</b>	<b>\$ 68,037,226</b>	<b>\$ 64,009,975</b>

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

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019

	Years Ended December 31		
	2020	2019	2018
<b>Operating Revenue</b>	\$ 185,108,089	\$ 160,985,180	\$ 157,854,757
<b>Operating Expenses</b>			
Provision for claims	171,638,440	152,081,746	142,594,146
Claims administration	6,852,515	6,796,935	5,377,889
Other general and administrative	3,790,964	3,777,593	4,121,313
Total operating expenses	182,281,919	162,656,274	152,093,348
<b>Operating Gain/(Loss)</b>	2,826,170	(1,671,094)	5,761,409
<b>Nonoperating Revenue (Expenses)</b>			
Interest and dividend income	1,628,025	2,041,454	1,551,280
Realized and unrealized gains (losses) on investments	2,584,564	3,793,487	(1,787,606)
Other nonoperating income/(expenses)	(88,718)	(136,598)	(109,117)
Total nonoperating revenue	4,123,871	5,698,343	(345,443)
<b>Change in Net Position</b>	<u>\$ 6,950,041</u>	<u>\$ 4,027,249</u>	<u>\$ 5,415,966</u>

### Condensed Comparative Financial Highlights

- Reserve for unpaid claims (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, increased by \$824,000 in 2020 from 2019 and by \$1,833,000 in 2019 from 2018. The increase in both 2020 and 2019 was primarily due to an increase in estimated incurred medical claims and an increase in lives covered with the addition of member counties.
- Overall, CEBCO's net position increased by \$6,950,041 from \$68,037,226 in 2019 to \$74,987,267 in 2020, and increased by \$4,027,249 from \$64,009,975 in 2018 to \$68,037,226 in 2019. The increase in 2020 was the result of positive investment gains and an increase in premiums greater than the increase in claims and claims administration expenses. The increase in 2019 was due to positive investment gains.
- Operating revenue, which represents premiums net of reinsurance premium expense, increased by \$24,122,909 in 2020 and increased by \$3,130,423 in 2019. The increase in both years was due mainly to an increase in covered lives with the addition of new member counties. The increase in lives in 2020 was over 10%.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
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- Claims expenses were \$171,638,440, \$152,081,746, and \$142,594,146 for the years ended December 31, 2020, 2019, and 2018, respectively. The 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.
- Nonoperating revenue decreased by \$1,574,472 from 2019 to 2020 and increased by \$6,043,788 from 2018 to 2019. Changes in respective years were attributable to changes in the market value of investments.

### **Economic Factors and Trends**

For 2020, CEBCO made a change in the pharmacy vendor to Anthem Rx. In addition to lowering prescription administrative costs, the intent was to make it easier administratively by using the same vendor for Medical and Prescription Drug. Overall, CEBCO saw a 4.1% trend on medical and 4.4% trend on Rx, which were below estimates.

The largest factor in 2020 was COVID-19. The overall claim impact was small, \$3.9 million (2.1% of total claims), but CEBCO experienced some dramatic changes due to the pandemic. When the state of emergency was declared in March, CEBCO made the determination in conjunction with Anthem Blue Cross and Blue Shield that CEBCO would cover the cost of COVID-19 testing and treatment at no member cost share. In addition, due to Ohio's Stay-at-Home Order, CEBCO modified its member eligibility requirements that would allow counties to continue health coverage for employees if they dropped below the minimum hours for full-time employment. The use of Telehealth increased dramatically and for a period of time, those calls were covered at no member cost share.

In June, CEBCO's wellness vendor filed for bankruptcy and closed their doors. CEBCO was able to contract with HealthWorks, a Cincinnati based wellness vendor, to complete the 2019 – 2020 wellness year. In a subsequent RFP, HealthWorks was selected as CEBCO's new wellness partner for three years, starting in January 2021. The blood draw remains a key component of the program and in some cases, may be the only bloodwork that a member received in the past year.

The CEBCO renewal process was also impacted, as a decision was made to base the 2021 renewal on claims prior to March due to COVID-19. The experience period for the renewal became 3/1/19 – 2/29/20, so that there was an entire year of claims prior to the pandemic. The CEBCO Board of Directors also allocated \$10 million of Member Equity to help lower the 2021 renewal increase. For 2022, CEBCO will use the normal experience period of 7/1/20 – 6/30/21.

One new program that CEBCO added in 2021 was SmartShopper, a third-party vendor that provides CEBCO members with cost saving alternatives for many common procedures, such as lab work, colonoscopies, mammograms and imaging tests. If members use the service and select the more cost-effective alternatives, they may qualify for a monetary incentive. The early results look to be very promising.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
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At the time of this report, CEBCO is in the process of gathering information for the COBRA Subsidy, which is part of The American Rescue Plan Act of 2021. It is not anticipated that this will have a large impact on CEBCO, but the total impact is still not known. Otherwise, the provision for claim payments is expected to be consistent with historical trends, and all other operating expenses are expected to remain consistent with prior periods.

**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**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 30,110,339	\$ 26,693,562
Investments	11,853,360	11,063,445
Interest receivable	237,317	252,714
Premiums receivable	54,701	1,075,605
Stop loss recovery	91,055	-
Other receivable	7,811	2,782
Prepaid expenses	8,125	12,792
Total current assets	42,362,708	39,100,900
Noncurrent assets:		
Funds on deposit	109,150	85,150
Investments	49,414,390	47,453,941
Investment in joint venture	1,014,455	908,611
Capital assets - Net of depreciation	108,893	38,112
Total noncurrent assets	50,646,888	48,485,814
Total assets	93,009,596	87,586,714
<b>Liabilities - Current</b>		
Accounts payable	1,185,034	3,525,058
Reserve for unpaid claims	16,820,000	15,996,000
Unearned premium	17,295	28,430
Total liabilities	18,022,329	19,549,488
<b>Equity - Net position</b>		
Net investment in capital assets	108,893	38,112
Unrestricted	74,878,374	67,999,114
Total net position	<b>\$ 74,987,267</b>	<b>\$ 68,037,226</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>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating Revenue</b>		
Premiums	\$ 188,195,753	\$ 165,213,365
Reinsurance premium expense (Note 5)	(3,087,664)	(4,228,185)
Total operating revenue	185,108,089	160,985,180
<b>Operating Expenses</b>		
Provision for claims (Note 4)		
Paid	170,814,440	150,248,746
Change in reserve for unpaid claims	824,000	1,833,000
Total claims and claims adjustment expense incurred	171,638,440	152,081,746
Claims administration	6,852,515	6,796,935
General and administrative	1,844,876	1,947,592
Consulting and actuarial	577,510	699,501
Wellness Program and Grants	542,223	535,248
Commissions	810,239	574,293
Depreciation	16,116	20,959
Total operating expenses	182,281,919	162,656,274
<b>Operating Gain/(Loss)</b>	2,826,170	(1,671,094)
<b>Nonoperating Revenue (Expenses)</b>		
Interest and dividend income	1,628,025	2,041,454
Realized and unrealized gains on investments	2,584,564	3,793,487
Other Income	23,530	6,502
Gain/(Loss) on ownership interest in joint venture (Note 7)	5,843	(24,041)
Investment fees	(118,091)	(119,057)
Total nonoperating revenue	4,123,871	5,698,345
<b>Change in Net Position</b>	6,950,041	4,027,251
<b>Net Position - Beginning of year</b>	68,037,226	64,009,975
<b>Net Position - End of year</b>	<b>74,987,267</b>	<b>68,037,226</b>

Please see Notes to the Financial Statements.



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

**STATEMENT OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Cash received for premiums and other	\$ 189,157,734	\$ 161,987,577
Cash paid for claims and claims administration	(180,142,086)	(155,748,352)
Cash paid to vendors for services and goods	(3,699,357)	(3,758,499)
Cash paid for excess insurance	(3,087,663)	(3,879,735)
<b>Net cash provided by operating activities</b>	<b>2,228,628</b>	<b>(1,399,009)</b>
<b>Cash Flows from Capital Activities</b>		
Cash paid for capital asset	(85,131)	(33,120)
Cash received on sale of capital asset	21,765	6,500
<b>Net cash provided by capital activities</b>	<b>(63,366)</b>	<b>(26,620)</b>
<b>Cash Flows from Investment Activities</b>		
Purchases of investment securities	(13,528,945)	(32,360,048)
Sales and maturities of investment securities	13,559,090	30,956,294
Contribution to joint venture	(100,000)	-
Interest income received from investments and cash equivalents	1,447,476	1,768,627
Investment fees paid	(126,106)	(118,493)
<b>Net cash provided by investing activities</b>	<b>1,251,515</b>	<b>246,380</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,416,777</b>	<b>(1,179,249)</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>26,693,562</b>	<b>27,872,811</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 30,110,339</b>	<b>\$ 26,693,562</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)	\$ 2,826,170	\$ (1,671,094)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	16,116	20,959
Changes in assets and liabilities:		
Reserve for unpaid claims	824,000	1,833,000
Premium receivable	1,020,904	69,674
Other receivable	(96,084)	71,944
Funds on deposit	(24,000)	(4,500)
Prepaid expenses	12,792	754,574
Unearned premiums	(11,135)	(3,367,406)
Accounts payable	(2,340,135)	893,840
<b>Net cash provided by operating activities</b>	<b>\$ 2,228,628</b>	<b>\$ (1,399,009)</b>
<b>Noncash Investing Activities - Net unrealized gains/(losses) and amortization on investments</b>	<b>\$ 2,158,898</b>	<b>\$ 2,131,934</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, 2020, 39 Ohio counties were members of CEBCO as medical coverage participants, and one member subscribed to dental and vision coverage only. 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. During 2020 and also during 2019, three new counties joined CEBCO's medical coverage program, and no counties withdrew from the medical program. 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 \$3,000,00 from net position in 2020 and a flat amount of \$2,000,000 from net position in 2019 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 2020 that reduced the claims expenses in that year was \$8,607,070. The amount of rebates received in 2019 that reduced the claims expenses in that year was \$9,202,653.

**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, 2020 and 2019. This includes an estimate of claims incurred but not yet reported as of December 31, 2020 and 2019.

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, 2020 and 2019, the net position designated for the contingency reserve fund totaled \$14,502,518 and \$13,788,751, 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, 2020 or 2019.

## **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 April 30, 2021.

## **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 \$30,110,339 and \$26,693,562 at December 31, 2020 and 2019, 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. At year end, CEBCO had bank deposits of \$30,110,339. Of this amount, \$14,437,014 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, 2020 and 2019, 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)**

	<b>Fair Value</b>	
	2020	2019
Fixed-income securities	\$ 47,664,940	\$ 46,060,084
Equities	9,315,376	8,334,430
Mutual Funds	4,287,434	4,122,871
Total Investments	\$ 61,267,750	\$ 58,517,385

**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, 2020, CEBCO had the following average maturities of fixed-income securities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury securities	\$ 5,195,090	6.33
Asset-backed securities	2,860,036	1.34
Corporate bonds	17,118,067	5.12
Mutual Funds - High yield bonds	2,244,869	4.30
Mutual Funds - Bank loans	2,042,564	4.85
Mortgage-backed/Collateralized mortgage-backed securities	15,918,187	3.52
Municipal bonds	6,573,561	4.41
Total	\$ 51,952,374	

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
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-backed/Collateralized mortgage-backed securities	15,368,237	4.44
Municipal bonds	5,086,092	4.08
Total	<u>\$ 50,182,955</u>	

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

At December 31, 2020, the credit quality ratings of fixed-income securities by type are as follows:

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

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 2,422,712	Aaa	Moody's
	437,324	AAA	S&P
Total	\$ 2,860,036		
	\$ 295,451	Aa1	Moody's
	522,525	Aa2	Moody's
	1,321,669	Aa3	Moody's
	1,430,266	A1	Moody's
	2,545,105	A2	Moody's
	3,430,198	A3	Moody's
	2,860,951	Baa1	Moody's
	2,857,409	Baa2	Moody's
	1,335,761	Baa3	Moody's
	273,969	Ba2	Moody's
	85,789	BBB	Fitch
	158,975	Not Rated	
Total	\$ 17,118,067		
U.S. Treasury securities	\$ 5,195,090	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	\$ 1,025,423	AAA	S&P
	511	AAA	Fitch
	14,892,253	Aaa	Moody's
Total	\$ 15,918,187		
Municipal bonds	\$ 1,280,336	Aaa	Moody's
	1,881,049	Aa1	Moody's
	2,061,693	Aa2	Moody's
	210,252	A1	Moody's
	91,287	AA	S&P
	508,938	AAA	S&P
	540,006	AA+	S&P
Total	\$ 6,573,561		
Mutual Funds - High yield bonds	\$ 2,244,869	Ba	Moody's
Mutual Funds - Bank loans	\$ 2,042,564	B	S&P



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

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

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities	\$ 3,170,180	Aaa	Moody's
	1,335,777	AAA	S&P
Total	<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	<u>\$ 16,170,036</u>		
U.S. Treasury securities	\$ 4,929,762	Aaa	Moody's
Mortgage-backed/collateralized mortgage-backed securities	\$ 1,449,013	AAA	S&P
	36,748	AAA	Fitch
	13,882,476	Aaa	Moody's
Total	<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
	384,548	AA+	S&P
Total	<u>\$ 5,086,092</u>		
Mutual Funds - High yield bonds	\$ 2,130,162	B	Moody's
Mutual Funds - Bank loans	\$ 1,992,709	B	S&P

**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, 2020 and 2019, 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, 2020. 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, 2020, 2019, and 2018, respectively:

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**NOTE 4 – RESERVE FOR UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES  
– (continued)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Reserves for Unpaid Claims and Claim Adjustment Expenses - Beginning of year</b>	\$ 15,996,000	\$ 14,163,000	\$ 12,417,000
 <b>Incurred Claims and Claim Adjustment Expenses</b>			
Provision for claims incurred in current year	169,816,341	155,765,281	144,575,060
Change in provision for claims incurred in prior years	1,822,099	(3,683,535)	(1,980,915)
	<hr/>	<hr/>	<hr/>
Total incurred claims and claim adjustment expenses	171,638,440	152,081,746	142,594,145
 <b>Payments</b>			
Claims and claim adjustment expenses paid for claims incurred in current year	152,996,341	139,769,281	130,412,060
Claims and claim adjustment expenses paid for claims incurred in prior years	17,818,099	10,479,465	10,436,085
	<hr/>	<hr/>	<hr/>
Total payments	170,814,440	150,248,746	140,848,145
	<hr/>	<hr/>	<hr/>
<b>Reserves for Unpaid Claims and Claim Adjustment Expenses - End of year</b>	<u>\$ 16,820,000</u>	<u>\$ 15,996,000</u>	<u>\$ 14,163,000</u>

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 year ended December 31, 2020, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of \$700,000 per subscriber, except for one subscriber whose specific stop loss deductible amount was \$2,000,000, with no specific stop loss maximum. For the year ended December 31, 2019, 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, 2020 and 2019 totaled \$3,087,664 and \$4,228,185, respectively.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
Furniture and equipment	\$ 20,795	\$ -	\$ -	\$ 20,795
Vehicles	176,703	89,431	(83,906)	182,228
Subtotal	197,498	89,431	(83,906)	203,023
Less Accumulated Depreciation:				
Furniture and equipment	20,795	-	-	20,795
Vehicles	138,591	16,116	(81,372)	73,335
Subtotal	159,386	16,116	(81,372)	94,130
Net capital assets	<u>\$ 38,112</u>	<u>\$ 73,315</u>	<u>\$ (2,534)</u>	<u>\$ 108,893</u>

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.  
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**NOTE 6 – CAPITAL ASSETS – (continued)**

	<u>Balance</u> <u>January 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <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>

Depreciation expense was \$16,116 and \$20,959 December 31, 2020 and 2019, 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. During 2020, CEBCO contributed an additional \$100,000 to County Governance Facility, LLC for capital improvements of the property. CEBCO's interest in the County Governance Facility, LLC at December 31, 2020 and 2019 was \$1,014,455 and \$908,611, 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. Investment consulting and management services are shared between CEBCO and CORSA. The amount paid to CCAO by CEBCO for shared services and reimbursements was \$1,271,685 and \$1,214,465 for December 31, 2020 and 2019, respectively. The amount paid for investment and insurance expenses by CEBCO to CORSA was \$170,667 and \$158,088 for December 31, 2020 and 2019, 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.

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, 2020 are as follows:

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

	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, 2020
Debt securities:				
Mutual Funds - High yield bonds	\$ 2,244,869	\$ -	\$ -	\$ 2,244,869
Mutual Funds - Bank loans	2,042,564			2,042,564
Asset-backed securities	-	2,860,036	-	2,860,036
Corporate bonds		17,118,067		17,118,067
U.S. Treasury securities	5,195,090	-	-	5,195,090
Mortgage-backed/collateralized mortgage securities	-	15,918,187	-	15,918,187
Municipal bonds	-	6,573,561	-	6,573,561
Total debt securities	\$ 9,482,523	\$ 42,469,851	\$ -	\$ 51,952,373
Equity securities	9,315,376	-	-	9,315,376
Total	\$ 18,797,900	\$ 42,469,851	\$ -	\$ 61,267,750

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	\$ 9,052,633	\$ 41,130,322	\$ -	\$ 50,182,955
Equity securities	8,334,430	-	-	8,334,430
Total	\$ 17,387,063	\$ 41,130,322	\$ -	\$ 58,517,385

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.

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

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.



**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CLAIMS DEVELOPMENT**  
**FOR THE YEAR ENDING DECEMBER 31, 2020**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contribution and investment and other revenue										
Earned	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	192,437,716
Ceded	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	3,087,664
Net earned	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	189,350,052
2. Unallocated expenses	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	10,761,570
3. Estimated claims and expenses, end of policy year:										
Incurred	90,620,600	98,454,324	110,146,663	135,352,475	149,825,654	165,050,114	147,637,396	153,361,975	158,095,172	176,300,515
Ceded	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	6,484,174
Net incurred	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	169,816,341
4. Net paid claims as of:										
End of policy year	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	152,996,341
One year later	88,502,097	96,937,542	103,064,992	127,039,972	141,308,869	157,289,113	142,904,501	140,733,354	157,508,614	
Two years later	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419	140,812,121		
Three years later	88,254,429	97,083,331	103,467,457	127,161,862	141,577,347	157,317,850	142,997,419			
Four years later	88,254,429	97,083,331	103,467,457	127,172,217	141,580,929	157,317,850				
Five years later	88,254,429	97,083,331	103,467,457	127,169,333	141,580,929					
Six years later	88,254,429	97,083,331	103,468,179	127,169,333						
Seven years later	88,254,429	97,084,059	103,468,179							
Eight years later	88,254,429	97,084,059								
Nine years later	88,254,429									
5. Re-estimated ceded claims and expenses	776,991	1,837,589	5,776,358	4,081,771	3,568,983	2,829,206	3,067,925	9,140,400	2,896,647	6,484,174
6. Re-estimated net incurred claims and expense, as of:										
End of policy year	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	169,816,341
One year later	88,502,097	96,937,542	103,064,992	127,039,971	141,308,869	157,289,113	142,904,501	140,733,354	157,508,614	
Two years later	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	142,997,419	140,812,121		
Three years later	88,254,429	97,083,331	103,467,457	127,161,862	141,577,347	157,317,850	142,997,419			
Four years later	88,254,429	97,083,331	103,467,457	127,172,217	141,580,929	157,317,850				
Five years later	88,254,429	97,083,331	103,467,457	127,169,333	141,580,929					
Six years later	88,254,429	97,083,331	103,468,179	127,169,333						
Seven years later	88,254,429	97,084,059	103,468,179							
Eight years later	88,254,429	97,084,059								
Nine years later	88,254,429									
7. Increase (decrease) in estimated incurred claims from original estimate	(1,589,180)	467,324	(1,514,584)	(4,203,538)	(4,752,978)	(5,170,449)	(1,812,650)	(3,762,940)	1,743,332	0

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**RECONCILIATION OF RESERVE FOR UNPAID CLAIMS BY TYPE OF CONTRACT**  
**FOR THE YEAR ENDING DECEMBER 31, 2020**

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2020: employee medical, pharmacy, dental, and vision benefits.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Reserves for unpaid claims and claims expenses - beginning of year	\$ 15,386,000	\$ 538,000	\$ 61,000	\$ 11,000	\$ 15,996,000
Plus: Incurred claims and claims expenses					
Provision for claims incurred in the current year	136,819,589	30,588,243	2,167,154	241,355	169,816,341
Change in provision for claims incurred in prior years	<u>2,534,795</u>	<u>(693,417)</u>	<u>(9,830)</u>	<u>(9,449)</u>	<u>1,822,099</u>
Total Incurred	139,354,384	29,894,826	2,157,324	231,906	171,638,440
Less: Payments					
Claims and claims expenses paid for claims incurred in current year	120,084,589	30,588,243	2,094,154	229,355	152,996,341
Claims and claims expenses paid for claims incurred in prior years	<u>17,920,795</u>	<u>(155,417)</u>	<u>51,170</u>	<u>1,551</u>	<u>17,818,099</u>
Total Payments	138,005,384	30,432,826	2,145,324	230,906	170,814,440
Reserves for unpaid claims and claims expenses - end of year	<u>\$ 16,735,000</u>	<u>\$ -</u>	<u>\$ 73,000</u>	<u>\$ 12,000</u>	<u>\$ 16,820,000</u>

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.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
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	<u>(3,268,719)</u>	<u>(408,095)</u>	<u>(5,412)</u>	<u>(1,309)</u>	<u>(3,683,535)</u>
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	<u>10,386,281</u>	<u>25,905</u>	<u>55,588</u>	<u>11,691</u>	<u>10,479,465</u>
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	<u>\$ 15,386,000</u>	<u>\$ 538,000</u>	<u>\$ 61,000</u>	<u>\$ 11,000</u>	<u>\$ 15,996,000</u>

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.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
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	<u>(1,703,834)</u>	<u>(267,418)</u>	<u>(7,869)</u>	<u>(1,794)</u>	<u>(1,980,915)</u>
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	<u>10,340,166</u>	<u>13,582</u>	<u>71,131</u>	<u>11,206</u>	<u>10,436,085</u>
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	<u>\$ 13,655,000</u>	<u>\$ 434,000</u>	<u>\$ 61,000</u>	<u>\$ 13,000</u>	<u>\$ 14,163,000</u>

**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, 2020, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements and have issued our report thereon dated April 30, 2021. We 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.

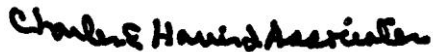
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.***  
April 30, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO**

**FRANKLIN COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 7/1/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)