

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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 AND 2012



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the County Employee Benefits Consortium of Ohio, Franklin County, prepared by Blue & Co., LLC, for the audit period January 1, 2013 through December 31, 2013. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 31, 2014

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COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

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REPORT OF INDEPENDENT AUDITORS

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

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) as of and for the years ended December 31, 2013 and 2012, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine these financial statements based on our audits. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audits to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of CEBCO's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEBCO as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and *claims development information*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CEBCO's basic financial statements. The reconciliation of claims liability by type of contract is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The reconciliation of claims liability by type of contract is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the reconciliation of claims liability by type of contract is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
County Employee Benefits Consortium, Inc.
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014, on our consideration of CEBCO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 CEBCO's internal control over financial reporting and compliance.

Bene G., LLC

Columbus, Ohio
June 20, 2014

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Management of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) offers this narrative overview of the organization and analysis of the financial activities of CEBCO for the fiscal years ended December 31, 2013, 2012 and 2011. Readers are encouraged to consider the information presented here in conjunction with CEBCO's financial statements and notes to the financial statements to enhance their understanding of CEBCO's financial performance.

Introduction

In 2002, the County Commissioners Association of Ohio (CCAO) set out to establish a health benefits program for Ohio counties that belonged to CCAO. 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, and also provided insurance benefits for CCAO. Since then, twenty additional counties have joined CEBCO for medical and prescription drug coverage, and no county has withdrawn from CEBCO. As of December 31, 2013, CEBCO had a total of 26 member counties. Within the first three months of 2014, CEBCO added 4 new members growing to 30 counties.

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 preferred provider organization plans, two health savings accounts plans and five prescription drug plans for the counties to choose to create their benefit structure. Each county has a fully insured equivalent rate that is issued to each county on an annual basis, and premiums are paid into CEBCO monthly. Each county makes a three-year commitment to the CEBCO program.

Overview of the Financial Statements

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

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

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Statements of Net Position present CEBCO's financial position as of the end of the fiscal year. Information is displayed about CEBCO's assets and liabilities, with the difference between the two reported as net position.

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

Financial Analysis – Statements of Net Position

The following table presents the summarized financial position of CEBCO on December 31, 2013, 2012 and 2011. More detailed information is available in the accompanying basic financial statements.

Table 1:

Assets	2013	2012	2011
Cash and cash equivalents	\$ 15,244,587	\$ 14,255,148	\$ 16,486,438
Investments	54,167,441	52,562,897	42,087,363
Other assets	2,180,635	1,766,829	1,603,122
Total assets	<u>71,592,663</u>	<u>68,584,874</u>	<u>60,176,923</u>
Total liabilities	<u>16,889,980</u>	<u>13,994,733</u>	<u>12,277,475</u>
Net position	<u>\$ 54,702,683</u>	<u>\$ 54,590,141</u>	<u>\$ 47,899,448</u>

The majority of CEBCO's assets are cash and investments. Other assets include fixed assets, interest and rebate receivables, prepaid expenses, and an investment in joint venture. The statements show that CEBCO's total assets were \$60,176,923 at December 31, 2011; \$68,584,874 at December 31, 2012 and \$71,592,663 at December 31, 2013. The increase in total assets is due to investment income and premium increases due to growth.

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Liabilities represent amounts owed to outside companies for fiscal year services that were not paid until the next year, amounts calculated as reasonable estimates for claims incurred but not reported to the claims administrators, unearned premium, and related party payables. Unearned premium is the amount of premiums for the upcoming fiscal year that have been received but have not yet been earned. Total liabilities increased approximately 14% between 2011 and 2012, and 21% between 2012 and 2013. In 2013, the reserve for unpaid claims increased by approximately \$2,340,000.

At the end of its tenth year of operations, CEBCO realized net position of \$54,702,683. This is an increase from the previous year in which CEBCO's total net assets were \$54,590,141. The change is due primarily to positive net investment income.

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

The following table presents a summary of CEBCO's revenues and expenses for the fiscal years ending December 31, 2013, 2012 and 2011. More detailed information is available in the accompanying basic financial statements.

Table 2:

Revenues	2013	2012	2011
Premiums earned (member contributions)	\$ 112,165,246	\$ 106,456,236	\$ 102,887,779
Less: commercial insurance coverage	(1,059,623)	(1,114,484)	(840,548)
Total revenues	111,105,623	105,341,752	102,047,231
 Expenses			
Claims paid and loss adjustments	105,046,762	95,143,928	89,406,818
Claims administration	4,324,870	4,232,644	4,019,961
Other general and administrative expenses	2,181,367	1,834,568	1,697,076
Total expenses	111,552,999	101,211,140	95,123,855
 Operating gains	 (447,376)	 4,130,612	 6,923,376
 Non-operating income	 <u>559,918</u>	 <u>2,560,081</u>	 <u>827,357</u>
 Change in net assets	 112,542	 6,690,693	 7,750,733
 Net position beginning of year	 <u>54,590,141</u>	 <u>47,899,448</u>	 <u>40,148,715</u>
 Net position end of year	 <u><u>\$ 54,702,683</u></u>	 <u><u>\$ 54,590,141</u></u>	 <u><u>\$ 47,899,448</u></u>

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Premium earned is recognized evenly over the period covered. This amount is reduced by the amount paid by CEBCO for stop loss insurance. CEBCO purchases stop loss insurance to cover the risk of large claims. For 2011, CEBCO covered the first \$400,000 for each medical claim. The stop loss carrier (Anthem) reimbursed amounts above this level. For 2012, the specific stop loss remained at \$400,000, but coverage included prescription claims over that amount as well as medical claims. In 2013, the stop loss amount for both medical and prescription claims was raised to \$450,000. The Board of Directors and the CEBCO staff review the stop loss coverage and amount annually and increase the amount when it is cost effective to do so.

Total net revenues increased from \$105,341,752 in 2012 to \$111,105,623 in 2013, a 5.5% increase. This was caused by an overall premium increase as well as the addition of one new member to CEBCO in 2013.

Total net revenues increased from \$102,047,231 in 2011 to \$105,341,752 in 2012, a 3.2% increase. This was caused by an overall premium increase as well as the addition to CEBCO in 2012 of two new members.

Expenses increased 6.4% between 2011 and 2012, and increased 10.2% between 2012 and 2013. The increase in 2013 was mainly due to the increase in claims paid and in claims incurred in 2013 but not yet paid.

In 2008, CEBCO entered into a joint venture with CCAO and the County Risk Sharing Authority (CORSAs) as partners to form a limited liability company, called the County Governance Facility, LLC (the LLC). Each partner contributed \$1,000,000 to the formation of the LLC. The LLC purchased a building which houses the office space for CCAO, CORSA and CEBCO. CCAO, CORSA and CEBCO each share a one-third interest in the LLC. In 2013, the LLC realized a net loss of \$48,107. CEBCO's share in this loss was \$16,036. In 2012, the LLC realized a net gain of \$5,391. CEBCO's share in the gain was \$1,797.

The operating gain (loss) was \$6,923,376 in 2011, \$4,130,612 in 2012, and (\$447,376) in 2013. The operating loss in 2013 was due to an increase in claims paid, which caused expenses to exceed premiums. Also, at the direction of the Board of Directors, \$1,000,000 in member equity was used to lower the 2013 premiums.

Financial Analysis – Statement of Cash Flows

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

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The following table presents a summary of CEBCO's cash flows for the fiscal years ending December 31, 2013, 2012 and 2011. More detailed information is available in the accompanying basic financial statements.

Table 3:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating activities			
Cash received for premiums and other	\$ 111,871,954	\$ 106,241,993	\$ 103,167,306
Cash paid for claims	(106,833,332)	(97,522,600)	(91,559,043)
Cash payments to vendors for services and goods	(1,391,085)	(1,288,527)	(698,290)
Cash paid for excess insurance	(1,204,253)	(1,203,335)	(934,282)
Cash paid to employees for wages	(432,383)	(423,648)	(448,859)
Net cash flows from operating activities	<u>2,010,901</u>	<u>5,803,883</u>	<u>9,526,832</u>
Capital and related financing activities			
Purchase of property and equipment	(26,699)	-	-
Net cash flows from capital and related financing activities	<u>(26,699)</u>	<u>-</u>	<u>-</u>
Investing activities			
Contribution to joint venture	-	(58,291)	-
Change in investments, net	(2,147,025)	(8,968,275)	(9,698,889)
Investment fees paid	(136,740)	(130,102)	(114,691)
Interest received on investments and cash equivalents	<u>1,289,002</u>	<u>1,121,495</u>	<u>722,924</u>
Net cash flows from investing activities	<u>(994,763)</u>	<u>(8,035,173)</u>	<u>(9,090,656)</u>
Net change in cash and cash equivalents	989,439	(2,231,290)	436,176
Cash and cash equivalents - beginning of year	<u>14,255,148</u>	<u>16,486,438</u>	<u>16,050,262</u>
Cash and cash equivalents - end of year	<u>\$ 15,244,587</u>	<u>\$ 14,255,148</u>	<u>\$ 16,486,438</u>

The net cash from operating activities was \$2,010,901 in 2013 compared to \$5,803,883 and \$9,526,832 in 2012 and 2011, respectively. This number fluctuates with the timing of events, as expenses are not always paid out in the year they are incurred.

Cash from investing activities changed from (\$9,090,656) and (\$8,035,173) in 2011 and 2012, respectively, to (\$994,763) in 2013 due to there being less purchases of investments in 2013.

**COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Trends and Strategic Planning

With the uncertainty of what the Affordable Care Act will ultimately bring to health care consumers, CEBCO remains committed to finding ways to enhance its benefits and programs provided for the membership and to control claims costs. Through partnerships with Anthem, Delta Dental, VSP, and ComPsych, and with a new partner in 2014, Express Scripts, CEBCO continually strives to provide the most comprehensive program available so that members and their employees can achieve and maintain personal physical, mental and social wellness. To this end, CEBCO launched several wellness campaigns and made benefit plan design changes a priority for the 2012 and 2013 program years.

CEBCO remains committed to providing a stable health insurance program to its members and is continually striving to control program costs. For example, CEBCO conducts a vendor Request For Proposal process every three years for the provided services. This competitive process results in lower program costs for all vendor provided services and also provides a regular opportunity to enhance services to CEBCO's members. In 2014, CEBCO increased its membership to 30 counties and increased its employee lives to over 10,000 for the first time. Crossing this threshold lowered the vendor costs as fees were reduced at this number of lives.

CEBCO ended its first year of operations in 2004 with a deficiency in net position, but every year after that the program has ended with positive net position. The net position has increased from \$17.6 million in 2005 to \$54.7 million in 2013. This is due to growth in the program as well as a conservative approach to funding, investing and reserving. This approach has enabled CEBCO to utilize \$1 million of member equity to reduce program costs for 2013 and 2014. CEBCO's Management and Board of Directors understand the need to be fiscally prudent, market savvy and cognizant of the volatility in the health care industry.

Contacting CEBCO Financial Management

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

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENTS OF NET POSITION DECEMBER 31, 2013 AND 2012

	ASSETS	
Assets	2013	2012
Cash and cash equivalents	\$ 15,244,587	\$ 14,255,148
Investments	54,167,441	52,562,897
Prepaid expenses	494,117	405,063
Interest receivable	268,482	302,309
Rebate receivable	393,641	-
Other receivable	40,722	81,217
Property and equipment, net of depreciation	22,962	1,493
Investment in joint venture	960,711	976,747
Total assets	<u>\$ 71,592,663</u>	<u>\$ 68,584,874</u>
	LIABILITIES AND NET POSITION	
Liabilities		
Accounts payable	\$ 2,687,269	\$ 2,231,972
Unearned premium	1,849,210	1,748,861
Reserve for unpaid claims	12,353,501	10,013,900
Total liabilities	<u>16,889,980</u>	<u>13,994,733</u>
Net position		
Net position - undesignated	44,880,718	54,588,648
Net position - designated for contingency reserve	9,799,003	-
Total unrestricted net position	<u>54,679,721</u>	<u>54,588,648</u>
Net position - invested in capital assets	22,962	1,493
Total net position	<u>54,702,683</u>	<u>54,590,141</u>
Total liabilities and net position	<u>\$ 71,592,663</u>	<u>\$ 68,584,874</u>

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2013 AND 2012

Revenues	2013	2012
Premiums	\$ 112,165,246	\$ 106,456,236
Ceded premiums	(1,059,623)	(1,114,484)
Net premiums earned	<u>111,105,623</u>	<u>105,341,752</u>
Expenses		
Loss expenses	105,046,762	95,143,928
Claims administration	4,324,870	4,232,644
General and administrative	1,002,735	929,620
Consulting and actuarial	619,560	402,230
Legal	9,809	10,374
Wellness initiative program	354,719	331,505
Commissions	189,314	158,739
Depreciation	5,230	2,100
Total expenses	<u>111,552,999</u>	<u>101,211,140</u>
Operating gain (loss)	(447,376)	4,130,612
Non-operating (expenses) income		
Investment income	1,255,175	1,181,127
Unrealized gain (losses) on investments	(581,342)	1,485,263
Gains on sale of investments	38,861	21,996
Gain (loss) on ownership interest	(16,036)	1,797
Investment fees	(136,740)	(130,102)
Non-operating income	<u>559,918</u>	<u>2,560,081</u>
Change in net position	112,542	6,690,693
Net position at beginning of year	<u>54,590,141</u>	<u>47,899,448</u>
Net position at end of year	<u>\$ 54,702,683</u>	<u>\$ 54,590,141</u>

See accompanying notes to financial statements.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating activities		
Cash received for premiums and other	\$ 111,871,954	\$ 106,241,993
Cash paid for claims	(106,833,332)	(97,522,600)
Cash payments to vendors for services and goods	(1,391,085)	(1,288,527)
Cash paid for excess insurance	(1,204,253)	(1,203,335)
Cash paid to employees for wages	(432,383)	(423,648)
Net cash flows from operating activities	2,010,901	5,803,883
Capital and related financing activities		
Purchase of property and equipment	(26,699)	-
Net cash flows from capital and related financing activities	(26,699)	-
Investing activities		
Contribution to joint venture	-	(58,291)
Change in investments, net	(2,147,025)	(8,968,275)
Investment fees paid	(136,740)	(130,102)
Interest received on investments and cash equivalents	1,289,002	1,121,495
Net cash flows from investing activities	(994,763)	(8,035,173)
Net change in cash and cash equivalents	989,439	(2,231,290)
Cash and cash equivalents - beginning of year	14,255,148	16,486,438
Cash and cash equivalents - end of year	\$ 15,244,587	\$ 14,255,148
Reconciliation of operating gains to net cash from operating activities:		
Operating gain (loss)	\$ (447,376)	\$ 4,130,612
Depreciation	5,230	2,100
Changes in operating assets and liabilities		
Reserve for unpaid claims	2,339,601	1,747,499
Other receivable	40,495	(42,592)
Rebate receivable	(393,641)	-
Prepaid expenses	(89,054)	(3,495)
Unearned premium	100,349	(214,243)
Accounts payable	455,297	184,002
Net cash flows from operating activities	\$ 2,010,901	\$ 5,803,883

See accompanying notes to financial statements.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

1. ORGANIZATION AND PLAN OF OPERATION

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

Members sign a three-year commitment to CEBCO. Premiums are paid on a monthly basis. Pursuant to participation agreements with CEBCO, each member agrees to pay all funding rates associated with the coverage it elects; as such funding rates are set and billed to the members by CEBCO. The assigned funding rates consist of the following components: administrative fees, stop loss fees, expected claims costs, and reserves. Reserves are actuarially determined and allocated based on expected claim activity. Rates are calculated to cover the administrative expenses and expected claims costs of the program.

As of December 31, 2013, twenty-six Ohio counties were members of CEBCO as medical coverage participants. During the fiscal year 2013, one new county joined CEBCO's medical coverage program, and no counties withdrew from the program.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Cash Equivalents

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

Investments

Investments are stated at fair value and consist of bonds, mutual funds and equities. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in non-operating (expenses) income unless the income or loss is restricted by law.

Premiums Revenue and Unearned Premiums

Premiums are paid monthly by participating entities and are recognized as revenue over the policy period. Receivables are recorded when earned. Premiums collected in advance of applicable coverage periods are classified as unearned premiums.

In 2013 and 2012, CEBCO applied a flat amount of \$1,000,000 from net position to lower the medical and prescription premium rates. The amount used in each year was determined by approval of the Board of Directors.

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, 2013 and 2012. This includes an estimate of claims incurred but not yet reported as of December 31, 2013 and 2012.

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

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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 the County Commissioners Association of Ohio (CCAO) provides General Liability, Errors and Omissions, Property, and Crime coverage to CEBCO. CEBCO also utilizes outside Directors and Officer coverage through Lloyds of London. Since CCAO, along with its related corporations, are members of CEBCO, the medical and dental coverage for CCAO employees is provided by CEBCO.

Subsequent Events

CEBCO has evaluated events or transactions occurring subsequent to the statement of net assets date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued which is June 20, 2014.

3. CASH AND INVESTMENTS

Cash equivalents

Funds are maintained in cash and cash equivalents to meet the requirements for the payment of claims. The funds are kept in checking accounts, certificate of deposits, and money market accounts. At December 31, 2013, the carrying amount of CEBCO's cash and cash equivalents was \$15,244,587 and the bank balance was \$15,260,674. Of this amount, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$250,000 was insured by Securities Investor Protection Corporation (SIPC). CEBCO maintains balances that are in excess of those insured by the FDIC and SIPC. However, to date no losses have been experienced.

Investments

Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The CEBCO Investment Policy stipulates that the fixed income portion of the portfolio be invested in obligations and securities of investment grade quality, with the exception of high yield bonds, which are allowable assets up to a specified maximum.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Investments held by CEBCO at December 31, 2013 are presented below, categorized by investment type and credit quality rating.

2013					
Investment Type	Fair Value	AAA	AA	A	BAA
US Agency Bonds	\$ 12,385,221	\$ 10,606,009	\$ 1,528,371	\$ 250,841	\$ -
Mortgage-Backed Bonds	13,282,332	13,282,332	-	-	-
Corporate Bonds	18,796,792	2,027,340	1,526,300	7,270,838	7,972,314
Mutual Funds-High Yield Bond	2,117,310	n/a	n/a	n/a	n/a
Mutual Funds-Large-Cap Mutual	5,569,349	n/a	n/a	n/a	n/a
Equities-Foreign Sector	2,016,437	n/a	n/a	n/a	n/a
Total	\$ 54,167,441				

The following table presents CEBCO's investment holdings at December 31, 2012.

2012					
Investment Type	Fair Value	AAA	AA	A	BAA
US Agency Bonds	\$ 13,212,584	\$ 11,676,478	\$ 1,280,633	\$ 255,473	\$ -
Mortgage-Backed Bonds	12,921,873	12,921,873	-	-	-
Corporate Bonds	18,619,767	2,134,011	1,150,940	7,608,425	7,726,391
Mutual Funds-High Yield Bond	1,929,951	n/a	n/a	n/a	n/a
Mutual Funds-Large-Cap Mutual	3,782,553	n/a	n/a	n/a	n/a
Equities-Foreign Sector	2,096,169	n/a	n/a	n/a	n/a
Total	\$ 52,562,897				

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is primarily managed by establishing guidelines for portfolio duration. The average duration of CEBCO's investment grade bond portfolio has been maintained at less than five years by the investment managers. Also, it is stipulated in CEBCO's Investment Policy that CEBCO's investment grade bond portfolio have a ten year maximum average maturity.

The following table presents CEBCO's bond investments as of December 31, 2013 by length of maturity.

Investment Type	Fair Value	Maturities			
		< than 1 year	1-5 years	5-10 years	> than 10 years
US Agency Bonds	\$ 12,385,221	\$ 1,138,974	\$ 4,379,164	\$ 6,867,083	\$ -
Mortgage-Backed Bonds	13,282,332	-	2,677,034	-	10,605,298
Corporate Bonds	18,796,792	624,534	12,634,995	5,537,263	-
Total	\$ 44,464,345	\$ 1,763,508	\$ 19,691,193	\$ 12,404,346	\$ 10,605,298

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The following table presents CEBCO's bond investments as of December 31, 2012 by length of maturity.

Investment Type	Fair Value	Maturities			
		< than 1 year	1-5 years	5-10 years	> than 10 years
US Agency Bonds	\$ 13,212,584	\$ 1,267,972	\$ 5,147,461	\$ 6,797,151	\$ -
Mortgage-Backed Bonds	12,921,873	-	2,320,193	-	10,601,680
Corporate Bonds	18,619,767	382,132	13,524,531	4,713,104	-
Total	<u>\$ 44,754,224</u>	<u>\$ 1,650,104</u>	<u>\$ 20,992,185</u>	<u>\$ 11,510,255</u>	<u>\$ 10,601,680</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CEBCO has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

There were no transfers between hierarchy levels during 2013 and 2012. CEBCO's policy is to recognize transfers between levels as of the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Money Market: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

Mutual Funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by CEBCO are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by CEBCO are deemed to be actively traded.

Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
Cash Equivalents:				
Money Market	\$ -	\$ 1,624,552	\$ -	\$ 1,624,552
Total cash equivalents	\$ -	\$ 1,624,552	\$ -	\$ 1,624,552
Investments:				
Bonds:				
Mortgage-Backed Bonds	\$ -	\$ 13,282,332	\$ -	\$ 13,282,332
US Agency Bonds	-	12,385,221	-	12,385,221
Corporate Bonds	-	18,796,792	-	18,796,792
Mutual Funds:				
Mutual Funds-High Yield Bond	2,117,310	-	-	2,117,310
Mutual Funds-Large-Cap Mutual	5,569,349	-	-	5,569,349
Equities:				
Equities-Foreign Sector	2,016,437	-	-	2,016,437
Total investments	\$ 9,703,096	\$ 44,464,345	\$ -	\$ 54,167,441

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 are as follows:

	Level 1	Level 2	Level 3	Total
Cash Equivalents:				
Money Market	\$ -	\$ 1,566,700	\$ -	\$ 1,566,700
Total cash equivalents	\$ -	\$ 1,566,700	\$ -	\$ 1,566,700
Investments:				
Bonds:				
Mortgage-Backed Bonds	\$ -	\$ 12,921,873	\$ -	\$ 12,921,873
US Agency Bonds	-	13,212,584	-	13,212,584
Corporate Bonds	-	18,619,767	-	18,619,767
Mutual Funds:				
Mutual Funds-High Yield Bond	1,929,951	-	-	1,929,951
Mutual Funds-Large-Cap Mutual	3,782,553	-	-	3,782,553
Equities:				
Equities-Foreign Sector	2,096,169	-	-	2,096,169
Total investments	\$ 7,808,673	\$ 44,754,224	\$ -	\$ 52,562,897

5. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended December 31, 2013 and 2012 was as follows:

	12/31/12	Additions	Retirements	12/31/13	Depreciable Life
Furniture and equipment	\$ 37,987	\$ -	\$ (10,437)	\$ 27,550	5 years
Vehicle	-	26,699	-	26,699	5 years
Total	37,987	26,699	(10,437)	54,249	
Less accumulated depreciation					
Furniture and equipment	36,494	1,493	(10,437)	27,550	
Vehicle	-	3,737	-	3,737	
Total	36,494	5,230	(10,437)	31,287	
Net carrying amount	\$ 1,493			\$ 22,962	
	12/31/11	Additions	Retirements	12/31/12	Depreciable Life
Furniture and equipment	\$ 37,987	-	-	\$ 37,987	5 years
Total	37,987	-	-	37,987	
Less accumulated depreciation					
Furniture and equipment	34,394	2,100	-	36,494	
Total	34,394	2,100	-	36,494	
Net carrying amount	\$ 3,593			\$ 1,493	

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

6. RESERVE FOR UNPAID CLAIMS

As discussed in Note 2, the reserve for unpaid claims is determined using actuarial analysis and is computed in accordance with accepted loss reserving standards. The reserve represents a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in the reserves for unpaid losses for CEBCO for the years ended December 31, 2013 and 2012:

	2013	2012
Reserve for unpaid claims, beginning of year	\$ 10,013,900	\$ 8,266,401
Incurred losses and loss adjustment expenses	105,046,762	95,143,928
Less payment of benefits	<u>102,707,161</u>	<u>93,396,429</u>
Reserve for unpaid claims, end of year	<u>\$ 12,353,501</u>	<u>\$ 10,013,900</u>

7. EXCESS INSURANCE COVERAGE

CEBCO obtained specific excess insurance from a reinsurer covering individual medical health claims in excess of \$450,000 and \$400,000 for the years ended December 31, 2013 and 2012, respectively. In 2013 and 2012, the excess insurance also covered individual prescription claims in excess of \$450,000 and \$400,000, respectively.

8. TAX STATUS

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

9. JOINT VENTURE

During 2008, CEBCO entered into a joint venture with CORSA and CCAO to form County Governance Facility, LLC, for which CEBCO owns 33.3% of the joint venture. County Governance Facility, LLC, was formed to improve, operate, and otherwise manage the company property located at 209 East State Street, Columbus, Ohio 43215. During 2008, CEBCO contributed \$1,000,000 to fund their portion of the joint venture. During 2012, CEBCO contributed an additional \$58,291 to County Governance Facility, LLC, for capital improvements on the property. CBCO's interest in the County Governance Facility, LLC at December 31, 2013 and 2012 was \$960,711 and \$976,747, respectively. CEBCO accounts for the investment under the equity method.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

10. COMMITMENTS

CEBCO leased one vehicle in 2013 for use by certain employees. In 2013, \$4,196 was spent on this lease. CEBCO's liability for future payments is \$350 in 2014.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

CLAIMS DEVELOPMENT INFORMATION YEARS ENDED DECEMBER 31, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 AND 2004

The following table is reported consistently on a policy-year basis, which is a method that assigns incurred losses and claim adjustment expenses to the year in which the event that triggered coverage under the risk pool insurance policy or participant contract occurred. The table illustrates how CEBCO's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by CEBCO as of the end of each of the fiscal period. The rows of the table are defined as follows: (1) This line shows the total of the fiscal period's earned contribution revenues and investment revenues. (2) This line shows the fiscal year's other operating costs including overhead and claims expense not allocable to individual claims. (3) This line shows CEBCO's estimated incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the claims occurred (called the policy year). (4) This section shows the cumulative amounts paid as of the end of the policy year. (5) This section shows how each policy year's estimated incurred claims increased or decreased as of the end of successive years. (6) This line shows the increase or decrease in the estimate from the previous year's estimate. (7) This line shows the increase or decrease in the latest estimate from the original estimate.

See report of independent auditors on page 1.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

CLAIMS DEVELOPMENT INFORMATION YEARS ENDED DECEMBER 31, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 AND 2004

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
1. Required contribution and investment and other revenue										
Earned	\$ 112,861,904	\$ 109,146,419	\$ 103,829,827	\$ 94,032,182	\$ 93,353,175	\$ 84,755,353	\$ 59,435,704	\$ 54,239,220	\$ 44,536,673	\$ 24,685,175
Ceded	(1,059,623)	(1,114,484)	(840,548)	(739,999)	(1,347,182)	(1,379,739)	(1,430,626)	(1,353,094)	(1,267,476)	(632,208)
Net earned	111,802,281	108,031,935	102,989,279	93,292,183	92,005,993	83,375,614	58,005,078	52,886,125	43,269,197	24,052,967
2. Unallocated expenses	6,642,977	6,197,311	5,831,729	5,504,932	5,391,044	5,083,904	3,900,174	3,646,713	2,912,851	1,915,686
3. Estimated claims and expenses, end of policy year:										
Incurred	110,146,663	98,454,324	90,620,600	81,920,983	89,093,702	71,585,326	47,289,943	41,368,758	31,971,528	22,523,420
Ceded	(5,163,900)	(1,837,589)	(776,991)	(386,511)	(756,131)	(294,902)	(377,252)	(369,040)	(159,566)	(145,294)
Net incurred	104,982,763	96,616,735	89,843,609	81,534,472	88,337,571	71,290,424	46,912,691	40,999,718	31,811,962	22,378,126
4. Net paid claims as of:										
End of policy year	92,630,140	86,602,835	81,577,208	74,439,272	79,958,391	64,793,613	42,507,964	37,068,417	30,774,328	18,134,383
One year later		96,937,542	88,502,097	81,049,187	85,861,606	71,723,792	46,107,576	40,498,922	32,909,168	19,622,159
Two years later			88,262,020	80,963,771	85,937,305	71,557,873	45,848,055	40,547,249	32,901,826	19,596,863
Three years later				80,951,185	85,892,231	71,537,984	45,819,905	40,592,450	32,885,945	19,544,244
Four years later					85,887,687	71,531,177	45,818,589	40,591,131	32,885,945	19,544,080
Five years later						71,530,775	45,818,592	40,591,131	32,885,889	19,544,080
Six years later							45,818,592	40,591,131	32,885,889	19,544,080
Seven years later								40,591,056	32,885,889	19,544,080
Eight years later									32,885,889	19,544,080
Nine years later										19,544,080
5. Re-estimated net incurred claims and expense, as of:										
End of policy year	104,982,763	96,616,735	89,843,609	81,534,472	88,337,571	71,290,424	46,912,691	40,999,718	31,811,962	22,378,126
One year later		96,937,542	88,502,097	81,049,187	85,861,606	71,723,793	46,775,919	40,829,796	32,909,168	22,378,126
Two years later			88,262,020	80,963,771	85,937,305	71,557,873	46,501,524	40,829,796	32,901,826	19,596,863
Three years later				80,951,185	85,892,231	71,531,984	45,819,905	40,829,795	32,885,945	19,544,244
Four years later					85,887,687	71,531,177	45,818,589	40,591,131	32,885,945	19,544,080
Five years later						71,530,775	45,818,592	40,591,131	32,885,889	19,544,080
Six years later							45,818,592	40,591,131	32,885,889	19,544,080
Seven years later								40,591,056	32,885,889	19,544,080
Eight years later									32,885,889	19,544,080
Nine years later										19,544,080
6. Increase (decrease) in estimated incurred claims from previous year		320,807	(240,077)	(12,586)	(4,544)	(402)	-	(75)	-	-
7. Increase (decrease) in estimated incurred claims from original estimate		320,807	(1,581,589)	(583,287)	(2,449,884)	240,351	(1,094,099)	(408,662)	1,073,927	(2,834,046)

See report of independent auditors on page 1.

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO, INC.

RECONCILIATION OF CLAIMS LIABILITY BY TYPE OF CONTRACT YEARS ENDED DECEMBER 31, 2013 AND 2012

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2013 medical, pharmacy, dental, and vision benefits.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Unpaid losses and loss adjustment expenses, beginning of fiscal year	\$ 9,062,000	\$ 889,700	\$ 54,500	\$ 7,700	\$ 10,013,900
Plus: Incurred losses and loss adjustment expenses					
Provision for insured events of the current year	84,234,948	19,225,289	1,319,288	204,113	104,983,638
Provision (benefit) for events of prior years	<u>118,798</u>	<u>(43,224)</u>	<u>(9,445)</u>	<u>(3,005)</u>	<u>63,124</u>
	84,353,746	19,182,065	1,309,843	201,108	105,046,762
Less: Payments					
Benefits attributable to insured events of the current year	72,910,948	18,251,689	1,269,688	197,812	92,630,137
Benefits attributable to insured events of prior years	<u>9,180,798</u>	<u>846,476</u>	<u>45,055</u>	<u>4,695</u>	<u>10,077,024</u>
Total payments	<u>82,091,746</u>	<u>19,098,165</u>	<u>1,314,743</u>	<u>202,507</u>	<u>102,707,161</u>
Total unpaid losses and loss adjustment expenses, end of fiscal year	<u>\$ 11,324,000</u>	<u>\$ 973,600</u>	<u>\$ 49,600</u>	<u>\$ 6,301</u>	<u>\$ 12,353,501</u>

The schedule below presents the changes in claims liabilities for CEBCO's four types of contracts in the year 2012 medical, pharmacy, dental, and vision benefits.

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Unpaid losses and loss adjustment expenses, beginning of fiscal year	\$ 7,452,000	\$ 756,300	\$ 50,000	\$ 8,101	\$ 8,266,401
Plus: Incurred losses and loss adjustment expenses					
Provision for insured events of the current year	77,589,555	17,621,027	1,226,453	179,700	96,616,735
Benefit for events of prior years	<u>(1,402,677)</u>	<u>(48,376)</u>	<u>(19,731)</u>	<u>(2,023)</u>	<u>(1,472,807)</u>
	76,186,878	17,572,651	1,206,722	177,677	95,143,928
Less: Payments					
Benefits attributable to insured events of the current year	68,527,555	16,731,327	1,171,953	172,000	86,602,835
Benefits attributable to insured events of prior years	<u>6,049,323</u>	<u>707,924</u>	<u>30,269</u>	<u>6,078</u>	<u>6,793,594</u>
Total payments	<u>74,576,878</u>	<u>17,439,251</u>	<u>1,202,222</u>	<u>178,078</u>	<u>93,396,429</u>
Total unpaid losses and loss adjustment expenses, end of fiscal year	<u>\$ 9,062,000</u>	<u>\$ 889,700</u>	<u>\$ 54,500</u>	<u>\$ 7,700</u>	<u>\$ 10,013,900</u>

See report of independent auditors on page 1.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of County Employee Benefits Consortium of Ohio, Inc. (CEBCO), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise CEBCO's basic financial statements and have issued our report thereon dated June 20, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered CEBCO's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of CEBCO's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of CEBCO's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether CEBCO's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of CEBCO's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering CEBCO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bene G., LLC

June 20, 2014

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Dave Yost • Auditor of State

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2014**