

**County Employee Benefits Consortium of
Ohio, Inc.**

**Financial Report
with Supplemental Information
December 31, 2014**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors Report* of the County Employee Benefits Consortium of Ohio, Inc., Franklin County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2014 through December 31, 2014. 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, Inc. 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 "Dave Yost".

Dave Yost
Auditor of State

May 15, 2015

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County Employee Benefits Consortium of Ohio, Inc.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of County Employee Benefits Consortium of Ohio, Inc. (CEBCO) as of and for the ended December 31, 2014 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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of County Employee Benefits Consortium of Ohio, Inc. as of December 31, 2014 and the changes in its financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Report on Prior Year Financial Statements

The financial statements of County Employee Benefits Consortium of Ohio, Inc. as of and for the year ended December 31, 2013 were audited by a predecessor auditor, who expressed an unmodified opinion on those statements. The predecessor auditor's report was dated June 20, 2014.

Required Supplemental 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, which 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 supplemental 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 financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2015 on our consideration of County Employee Benefits Consortium of Ohio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County Employee Benefits Consortium of Ohio, Inc.'s internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 13, 2015

County Employee Benefits Consortium of Ohio, Inc.

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Along with the notes, these statements provide detailed financial information concerning County Employee Benefits Consortium of Ohio, Inc. (CEBCO). This section, the management's discussion and analysis, is intended to provide an overview of CEBCO's financial condition, results of operations, and other key information.

Financial Overview

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental 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 net of reinsurance premiums, 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 fiscal year.

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. Since then, 26 additional counties have joined CEBCO for medical and prescription drug coverage, and no county has withdrawn from CEBCO. CEBCO has a total of 32 member counties, and also provides insurance benefits for CCAO staff.

County Employee Benefits Consortium of Ohio, Inc.

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

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

In analyzing CEBCO's financial position, it is important to recognize the mission of CEBCO. From a financial perspective, CEBCO's core objective is to provide cost-effective and high-quality group medical and dental coverage for Ohio counties, including employee medical, prescription drug, vision, and dental benefits.

The key financial statistic for CEBCO is based on total anticipated claims to be incurred in a specific policy year as compared to the premiums received from members, otherwise known in the industry as a "loss ratio." The following shows the loss ratio by policy years:

	Year Ended December 31		
	2014	2013	2012
Total premiums net of ceded	\$ 134,504,622	\$ 111,105,623	\$ 105,341,752
Total estimated claims incurred net of ceded	\$ 131,372,871	\$ 103,064,994	\$ 96,965,575
Loss ratio	97.7%	92.8%	92.0%

Total estimated claims incurred for the policy year consist of claim payments and an estimate of claims incurred but not reported determined by an independent actuary. The methods of making such estimates are continuously reviewed by management and, according to industry practice, any changes to these estimates will have an impact on reported results of future periods. Claim payments can change significantly because the ultimate amount paid for claims is dependent on the frequency of claims filed as well as other events such as legislative changes and changes in the physical or medical condition of claimants.

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, although it does not discharge the primary liability of CEBCO as direct insurer of the risks reinsured. For the years ended December 31, 2014 and 2013, the excess insurance contract provides coverage for medical and prescription drug benefits in excess of \$450,000 and up to the specific stop loss maximum of \$2,500,000 per subscriber. For the year ended December 31, 2012, the excess insurance contract provides coverage for medical and prescription drug benefits in excess of \$400,000 and up to the specific stop loss maximum of \$2,500,000 per subscriber.

County Employee Benefits Consortium of Ohio, Inc.

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

Approximately 97 percent of total assets consist of cash, cash equivalents and investments at December 31, 2014, 2013, and 2012, respectively. Approximately 75, 73, and 72 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2014, 2013, and 2012, 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:

	December 31		
	2014	2013	2012
Current Assets			
Cash and cash equivalents	\$ 16,748,933	\$ 15,244,587	\$ 14,255,148
Investments	54,296,498	54,167,441	52,562,897
Other assets	<u>2,040,299</u>	<u>2,180,635</u>	<u>1,766,829</u>
Total assets	73,085,730	71,592,663	68,584,874
Liabilities			
Reserve for unpaid claims	14,532,701	12,353,501	10,013,900
Other liabilities	<u>4,920,289</u>	<u>4,536,479</u>	<u>3,980,833</u>
Total liabilities	<u>19,452,990</u>	<u>16,889,980</u>	<u>13,994,733</u>
Net Position - Unrestricted			
Net investment in capital assets	97,906	22,962	1,493
Unrestricted	<u>53,534,834</u>	<u>54,679,721</u>	<u>54,588,648</u>
Total net position	<u>\$ 53,632,740</u>	<u>\$ 54,702,683</u>	<u>\$ 54,590,141</u>

County Employee Benefits Consortium of Ohio, Inc.

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

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

	Year Ended December 31		
	2014	2013	2012
Operating Revenue	\$ 134,504,622	\$ 111,105,623	\$ 105,341,752
Operating Expenses			
Provision for claims	129,474,666	105,046,762	95,143,928
Claims administration	5,011,970	4,324,870	4,232,644
Other general and administrative expenses	<u>3,658,895</u>	<u>2,181,367</u>	<u>1,834,568</u>
Total operating expenses	<u>138,145,531</u>	<u>111,552,999</u>	<u>101,211,140</u>
Operating (Loss) Income	(3,640,909)	(447,376)	4,130,612
Nonoperating Revenue (Expenses)			
Interest and dividend income	1,343,732	1,255,175	1,181,127
Realized and unrealized gains (losses)			
on investments	1,358,716	(542,481)	1,507,259
Other nonoperating expenses	<u>(131,482)</u>	<u>(152,776)</u>	<u>(128,305)</u>
Total nonoperating income	<u>2,570,966</u>	<u>559,918</u>	<u>2,560,081</u>
Change in Net Position	<u>\$ (1,069,943)</u>	<u>\$ 112,542</u>	<u>\$ 6,690,693</u>

Condensed Comparative Financial Highlights

- Reserve for unpaid claims (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, increased by \$2,179,200 and \$2,339,601 for the years ended December 31, 2014 and 2013, respectively, due to an increase in member counties, covered lives, and fluctuation in claims activity for the 2014 and 2013 years.
- Overall, CEBCO's net position decreased by \$1,069,943 from \$54,702,683 in 2013 to \$53,632,740 in 2014 and increased by \$112,542 from \$54,590,141 in 2012 to \$54,702,683 in 2013. The decrease in 2014 was the result of an increase in the provision for claims and higher than expected claims expenses, as well as an intentional use of member equity to lower the 2014 premium rates. The increase in 2013 was the result of adding additional members and covered lives to CEBCO which was offset by an increase in the provision for claims due to the additional members and covered lives added to CEBCO.

County Employee Benefits Consortium of Ohio, Inc.

Management's Discussion and Analysis (Continued)

Condensed Comparative Financial Highlights (Continued)

- Operating revenue, which represents premiums net of reinsurance premium expense, increased by \$23,398,999 in 2014 and \$5,763,871 in 2013. The increase in member contributions in 2014 is the direct result of adding six new member counties which added approximately 1,800 member lives. The increase in member contributions in 2013 is the result of an overall premium increase due to medical trends and the addition of one new member county.
- Incurred claims and claim adjustment expenses were \$129,474,666, \$105,046,762, and \$95,143,928 for the years ended December 31, 2014, 2013, and 2012, respectively. The increase in claims and claim adjustment expenses is the direct result of adding additional member counties and covered lives to CEBCO.

Economic Factors and Next Year's Rates

With the uncertainty surrounding the Affordable Care Act and what it will ultimately bring to health care programs and 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, 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 at the county level and made benefit plan design changes a priority over the past few years. In 2014, the groundwork was laid for a CEBCO-wide wellness program. The program is designed to drive behavior change, allowing participants to focus on specific health actions throughout the program year. Beginning in 2015, all members are required to offer the wellness program to their employees on the CEBCO plan. The ultimate goal is to improve overall health among the CEBCO membership, and therefore prevent future claims.

CEBCO remains committed to providing a stable health insurance program to its members and is continually looking for ways 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 32 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.

County Employee Benefits Consortium of Ohio, Inc.

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Rates (Continued)

CEBCO ended its first year of operations in 2004 with a deficiency in net position, but since then the net position has increased from \$17.6 million in 2005 to \$53.6 million in 2014. 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 member equity to reduce program costs for several years. CEBCO's Management and Board of Directors understand the need to be fiscally prudent and cognizant of the volatility in the health care industry.

The rates charged by CEBCO for premiums for the next fiscal year increased by approximately 8.3 percent. All other operating expenses are expected to remain consistent with the prior period. The provision for claim payments is expected to be consistent with historical trends and we are unaware of any economic events or legislative events that would have a significant impact on the operations of CEBCO.

Contacting CEBCO's Management

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

County Employee Benefits Consortium of Ohio, Inc.

Statement of Net Position

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 16,748,933	\$ 15,244,587
Investments (Note 2)	54,296,498	54,167,441
Interest receivable	249,179	268,482
Rebate receivable	6,297	393,641
Other receivable	112,179	40,722
Prepaid expenses	<u>616,540</u>	<u>494,117</u>
Total current assets	72,029,626	70,608,990
Noncurrent assets:		
Investment in joint venture (Note 6)	958,198	960,711
Capital assets - Net of depreciation (Note 5)	<u>97,906</u>	<u>22,962</u>
Total noncurrent assets	<u>1,056,104</u>	<u>983,673</u>
Total assets	73,085,730	71,592,663
Liabilities - Current		
Accounts payable	3,032,677	2,687,269
Reserve for unpaid claims (Note 3)	14,532,701	12,353,501
Unearned premium	<u>1,887,612</u>	<u>1,849,210</u>
Total liabilities	<u>19,452,990</u>	<u>16,889,980</u>
Equity - Net position		
Net investment in capital assets	97,906	22,962
Unrestricted	<u>53,534,834</u>	<u>54,679,721</u>
Total net position	<u>\$ 53,632,740</u>	<u>\$ 54,702,683</u>

County Employee Benefits Consortium of Ohio, Inc.

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended December 31	
	2014	2013
Operating Revenue		
Premiums	\$ 136,332,451	\$ 112,165,246
Reinsurance premium expense (Note 4)	<u>(1,827,829)</u>	<u>(1,059,623)</u>
Total operating revenue	134,504,622	111,105,623
Operating Expenses		
Provision for claims (Note 3):		
Paid	127,295,466	102,707,161
Change in reserve for unpaid claims	<u>2,179,200</u>	<u>2,339,601</u>
Total claims	129,474,666	105,046,762
Claims administration	5,011,970	4,324,870
General and administrative	1,071,677	1,002,735
Consulting and actuarial	498,079	619,560
Legal	5,651	9,809
Wellness initiative program	369,504	354,719
Commissions	450,014	189,314
Depreciation	17,137	5,230
Transitional reinsurance fee	<u>1,246,833</u>	-
Total operating expenses	138,145,531	111,552,999
Operating Loss	(3,640,909)	(447,376)
Nonoperating Revenue (Expenses)		
Interest and dividend income	1,343,732	1,255,175
Realized and unrealized gains (losses) on investments	1,358,716	(542,481)
Loss on ownership interest in joint venture (Note 6)	<u>(2,513)</u>	<u>(16,036)</u>
Investment fees	<u>(128,969)</u>	<u>(136,740)</u>
Total nonoperating revenue	2,570,966	559,918
Change in Net Position	(1,069,943)	112,542
Net Position - Beginning of year	<u>54,702,683</u>	<u>54,590,141</u>
Net Position - End of year	\$ 53,632,740	\$ 54,702,683

County Employee Benefits Consortium of Ohio, Inc.

Statement of Cash Flows

	Year Ended December 31	
	2014	2013
Cash Flows from Operating Activities		
Cash received for premiums and other	\$ 136,686,740	\$ 111,871,954
Cash paid for claims and claims administration	(133,125,670)	(106,833,332)
Cash payments to vendors for services and goods	(1,993,362)	(1,391,085)
Cash paid for excess insurance	(1,950,252)	(1,204,253)
Cash paid to employees for wages	<u>(484,754)</u>	<u>(432,383)</u>
Net cash (used in) provided by operating activities	(867,298)	2,010,901
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets		
	(92,081)	(26,699)
Cash Flows from Investment Activities		
Interest and dividends received on investments	1,363,035	1,289,002
Purchase of investment securities	(16,656,746)	(16,232,786)
Proceeds from sale and maturities of investment securities	17,886,405	14,085,761
Investment fees paid	<u>(128,969)</u>	<u>(136,740)</u>
Net cash provided by (used in) investing activities	<u>2,463,725</u>	<u>(994,763)</u>
Net Increase in Cash and Cash Equivalents	1,504,346	989,439
Cash and Cash Equivalents - Beginning of year	<u>15,244,587</u>	<u>14,255,148</u>
Cash and Cash Equivalents - End of year	<u>\$ 16,748,933</u>	<u>\$ 15,244,587</u>

A reconciliation of operating loss to net cash (used in) provided by operating activities is as follows:

Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (3,640,909)	\$ (447,376)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	17,137	5,230
Changes in assets and liabilities:		
Reserve for unpaid claims	2,179,200	2,339,601
Other receivable	(71,457)	40,495
Rebate receivable	387,344	(393,641)
Prepaid expenses	(122,423)	(89,054)
Unearned premiums	38,402	100,349
Accounts payable	<u>345,408</u>	<u>455,297</u>
Net cash (used in) provided by operating activities	<u>\$ (867,298)</u>	<u>\$ 2,010,901</u>

There were no noncash transactions in 2014 and 2013.

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements **December 31, 2014**

Note I - Nature of Business and Significant Accounting Policies

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, 2014, 32 Ohio counties were members of CEBCO as medical coverage participants. During 2014, six new counties joined CEBCO's medical coverage program, and no counties withdrew from the program.

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.

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.

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements **December 31, 2014**

Note I - Nature of Business and Significant Accounting Policies (Continued)

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 \$1,400,000 and \$1,000,000 from net position in 2014 and 2013, respectively, 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, 2014 and 2013. This includes an estimate of claims incurred but not yet reported as of December 31, 2014 and 2013.

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.

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 (CORS), 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 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. Settled claims relating to the above insurance coverages have not exceeded the amount of insurance coverage for each of the last three years.

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements **December 31, 2014**

Note I - Nature of Business and Significant Accounting Policies (Continued)

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, 2014 and 2013, the net position designated for the contingency reserve fund totaled \$8,668,805 and \$9,799,003, 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 reserve for unpaid claims as described in Note 3.

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, 2014 or 2013.

Reclassification - Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements **December 31, 2014**

Note I - Nature of Business and Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement - In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. CEBCO is currently evaluating the impact this standard will have on the financial statements when adopted, during CEBCO's 2016 year end.

Subsequent Events - CEBCO has evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is May 13, 2015.

Note 2 - 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, and international equities), and mutual funds and/or exchange traded funds.

CEBCO's investments are held in CEBCO's name. CEBCO has designated Huntington Bank, Wells Fargo, Fidelity, Vanguard, and Dimensional for deposit of its funds. McDonnell Investment Management, 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 and money market funds. Cash and cash equivalents totaled \$16,748,933 and \$15,244,587 at December 31, 2014 and 2013, respectively.

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements December 31, 2014

Note 2 - Deposits and Investments (Continued)

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 \$16,751,450. Of this amount, \$250,000 was insured by the Federal Depository Insurance Corporation (FDIC) and \$250,000 was insured by the Securities Investor Protection Corporation (SIPC). 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, 2014 and 2013, CEBCO had the following investments:

	Fair Value	
	2014	2013
Fixed-income securities	\$ 43,152,847	\$ 44,464,345
Mutual funds	9,216,225	7,686,659
Equities	1,927,426	2,016,437
Total Investments	<u>\$ 54,296,498</u>	<u>\$ 54,167,441</u>

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

At December 31, 2014, CEBCO had the following average maturities of fixed-income securities:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 6,926,239	5.06
U.S. agencies and pass-throughs	13,959,061	4.03
Asset-backed securities	1,934,583	1.60
Corporate bonds	17,658,994	4.58
Foreign bonds	1,251,505	4.54
Municipal bonds	1,422,465	4.25
Total	<u>\$ 43,152,847</u>	

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements **December 31, 2014**

Note 2 - Deposits and Investments (Continued)

At December 31, 2013, CEBCO had the following average maturities of fixed-income securities:

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 10,364,452	4.85
U.S. agencies and pass-throughs	13,282,332	4.26
Asset-backed securities	1,728,785	0.92
Corporate bonds	15,422,582	4.52
Foreign bonds	1,645,425	4.89
Municipal bonds	<u>2,020,769</u>	3.77
 Total	 <u>\$ 44,464,345</u>	

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

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements December 31, 2014

Note 2 - Deposits and Investments (Continued)

At December 31, 2014, the credit quality ratings of fixed-income securities by type (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities			
	\$ 1,150,297	Aaa	Moody's
	<u>784,286</u>	AAA	S&P
Total	<u>\$ 1,934,583</u>		
Corporate bonds			
	\$ 323,893	Aaa	Moody's
	661,653	Aa1	Moody's
	197,889	Aa2	Moody's
	336,407	Aa3	Moody's
	4,394,332	Baa1	Moody's
	2,768,457	Baa2	Moody's
	742,733	Baa3	Moody's
	2,996,819	A1	S&P
	2,429,214	A2	S&P
	<u>2,807,587</u>	A3	S&P
Total	<u>\$ 17,658,984</u>		
Foreign bonds			
	\$ 619,087	Aa3	Moody's
	307,098	Baa1	Moody's
	<u>325,320</u>	A1	S&P
Total	<u>\$ 1,251,505</u>		
Municipal bonds			
	\$ 479,812	Aa2	Moody's
	692,319	Aa3	Moody's
	<u>250,334</u>	A1	S&P
Total	<u>\$ 1,422,465</u>		

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements December 31, 2014

Note 2 - Deposits and Investments (Continued)

At December 31, 2013, the credit quality ratings of fixed-income securities by type (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Asset-backed securities			
	<u>\$ 1,029,527</u>	Aaa	Moody's
	<u>699,258</u>	AAA	S&P
Total	<u>\$ 1,728,785</u>		
Corporate bonds			
	<u>\$ 298,552</u>	Aaa	Moody's
	513,485	Aa1	Moody's
	381,897	Aa2	Moody's
	346,628	Aa3	Moody's
	3,576,215	Baa1	Moody's
	3,082,965	Baa2	Moody's
	529,442	Baa3	Moody's
	2,255,592	A1	S&P
	1,820,219	A2	S&P
	<u>2,617,587</u>	A3	S&P
Total	<u>\$ 15,422,582</u>		
Foreign bonds			
	<u>\$ 284,288</u>	Aa3	Moody's
	244,052	Baa1	Moody's
	277,833	Baa2	Moody's
	293,252	A1	S&P
	298,498	A2	S&P
	<u>247,502</u>	A3	S&P
Total	<u>\$ 1,645,425</u>		
Municipal bonds			
	<u>\$ 236,370</u>	Aaa	Moody's
	855,330	Aa2	Moody's
	677,611	Aa3	Moody's
	<u>251,458</u>	A1	S&P
Total	<u>\$ 2,020,769</u>		

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, 2014 and 2013, respectively.

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements December 31, 2014

Note 2 - Deposits and Investments (Continued)

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 3 - Reserve for Unpaid Claims and Claim 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, 2014. 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, 2014, 2013, and 2012, respectively:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Reserves for Unpaid Claims and Claim Adjustment Expenses - Beginning of year	\$ 12,353,501	\$ 10,013,900	\$ 8,266,401
Incurred Claims and Claim Adjustment Expenses			
Provision for claims incurred in current year	131,372,871	104,983,638	96,616,735
Change in provision for claims incurred in prior years	(1,898,205)	63,124	(1,472,807)
Total incurred claims and claim adjustment expenses	129,474,666	105,046,762	95,143,928
Payments			
Claims and claim adjustment expenses paid for claims incurred in current year	116,840,171	92,630,137	86,602,835
Claims and claim adjustment expenses paid for claims incurred in prior years	10,455,295	10,077,024	6,793,594
Total payments	127,295,466	102,707,161	93,396,429
Reserves for Unpaid Claims and Claim Adjustment Expenses - End of year	<u>\$ 14,532,701</u>	<u>\$ 12,353,501</u>	<u>\$ 10,013,900</u>

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements **December 31, 2014**

Note 3 - Reserve for Unpaid Claims and Claim Adjustment Expenses (Continued)

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

Note 4 - Excess Insurance Coverage

CEBCO has obtained specific excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses from the excess insurance carrier, although it does not discharge the primary liability of CEBCO as direct insurer of the risks reinsured. For the years ended December 31, 2014 and 2013, the excess insurance contract provides coverage for medical and prescription drug benefits in excess of \$450,000 and up to the specific stop loss maximum of \$2,500,000 per subscriber.

Premiums under this contract during the years ended December 31, 2014 and 2013 totaled \$1,827,829 and \$1,059,623, respectively.

Note 5 - Capital Assets

Capital asset activity for the years ended December 31, 2014 and 2013 was as follows:

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Capital assets being depreciated:				
Furniture and equipment	\$ 27,550	\$ 2,650	\$ (9,405)	\$ 20,795
Vehicles	26,699	89,431	-	116,130
Subtotal	54,249	92,081	(9,405)	136,925
Accumulated depreciation:				
Furniture and equipment	27,550	529	(9,405)	18,674
Vehicles	3,737	16,608	-	20,345
Subtotal	31,287	17,137	(9,405)	39,019
Net capital assets	\$ 22,962	\$ 74,944	\$ -	\$ 97,906

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements December 31, 2014

Note 5 - Capital Assets (Continued)

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2013</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 37,987	\$ -	\$ (10,437)	\$ 27,550
Vehicles	-	26,699	-	26,699
Subtotal	37,987	26,699	(10,437)	54,249
Accumulated depreciation:				
Furniture and equipment	36,494	1,493	(10,437)	27,550
Vehicles	-	3,737	-	3,737
Subtotal	36,494	5,230	(10,437)	31,287
Net capital assets	\$ 1,493	\$ 21,469	\$ -	\$ 22,962

Total depreciation expense was \$17,137 and \$5,230 for December 31, 2014 and 2013, respectively.

Note 6 - 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 percent 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 42315. During 2008, CEBCO contributed \$1,000,000 to fund their portion of the joint venture. During 2012, CEBCO contributed an additional \$58,291 to County Governance Facility, LLC, for capital improvements on the property. CEBCO's interest in the County Governance Facility, LLC at December 31, 2014 and 2013 was \$958,198 and \$960,711, respectively. CEBCO accounts for the investment under the equity method.

County Employee Benefits Consortium of Ohio, Inc.

Notes to Financial Statements **December 31, 2014**

Note 7 - 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. All employees of CEBCO are employed by CCAO. Shared services are purchased by the various entities and costs are shared and include health care coverage provided by CEBCO, property and liability coverage provided by CORSA, and additional external directors and officers coverage purchased by CORSA. CCAO pays for most of the other shared expenses, and CEBCO and CORSA pay CCAO for their portion based on an allocation approved by all three boards of directors. Investment consulting and management services are shared between CEBCO and CORSA. The amount paid for shared services by CEBCO to CCAO was \$901,992 and \$861,157 for December 31, 2014 and 2013, respectively. The amount paid for investment and insurance expenses by CEBCO to CORSA was \$179,749 and \$191,843 for December 31, 2014 and 2013, respectively.

Required Supplemental Information

County Employee Benefits Consortium of Ohio, Inc.

Required Supplemental Information Schedule of Claims Development

Claims Development Information

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

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

County Employee Benefits Consortium of Ohio, Inc.

Required Supplemental Information Schedule of Claims Development

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Required contributions and investment income:										
Earned	\$ 44,536,673	\$ 54,239,220	\$ 59,435,704	\$ 84,755,353	\$ 93,353,175	\$ 94,032,182	\$ 103,829,827	\$ 109,146,419	\$ 112,861,904	\$ 139,032,206
Ceded	1,267,476	1,353,094	1,430,626	1,379,739	1,347,182	739,999	840,548	1,114,484	1,059,623	1,827,829
Net	43,269,197	52,886,126	58,005,078	83,375,614	92,005,993	93,292,183	102,989,279	108,031,935	111,802,281	137,204,377
2. Expenses other than allocated claim adjustment expenses	2,912,851	3,646,713	3,900,174	5,083,904	5,391,044	5,504,932	5,831,729	6,197,311	6,642,977	8,799,834
3. Estimated claims and allocated claim adjustment expenses - End of policy year:										
Incurred	31,971,528	41,368,758	47,289,943	71,585,326	89,093,702	81,920,983	90,620,600	98,454,324	110,146,663	135,352,475
Ceded	159,566	369,040	377,252	294,902	756,131	386,511	776,991	1,837,589	5,163,900	3,979,604
Net	31,811,962	40,999,718	46,912,691	71,290,424	88,337,571	81,534,472	89,843,609	96,616,735	104,982,763	131,372,871
4. Cumulative paid claims and allocated claim adjustment expenses										
End of policy year	30,774,328	37,068,417	42,507,964	64,793,613	79,958,391	74,439,272	81,577,208	86,602,835	92,630,140	116,840,171
One year later	32,909,168	40,498,922	46,107,576	71,723,792	85,861,606	81,049,187	88,502,097	96,937,542	103,064,992	-
Two years later	32,901,826	40,547,249	45,848,055	71,557,873	85,937,305	80,963,771	88,262,020	96,965,575	-	-
Three years later	32,885,945	40,592,450	45,819,905	71,537,984	85,892,231	80,951,185	88,254,429	-	-	-
Four years later	32,885,945	40,591,131	45,818,589	71,531,177	85,887,687	80,951,185	-	-	-	-
Five years later	32,885,889	40,591,131	45,818,592	71,530,775	85,887,687	-	-	-	-	-
Six years later	32,885,889	40,591,131	45,818,592	71,530,775	-	-	-	-	-	-
Seven years later	32,885,889	40,591,056	45,818,592	-	-	-	-	-	-	-
Eight years later	32,885,889	40,591,056	-	-	-	-	-	-	-	-
Nine years later	32,885,889	-	-	-	-	-	-	-	-	-
5. Re-estimated ceded claims and expenses	159,566	369,040	377,252	294,902	756,131	386,511	776,991	1,837,589	6,443,793	3,979,604
6. Re-estimated incurred claims and allocated claim adjustment expenses										
End of policy year	31,811,962	40,999,718	46,912,691	71,290,424	88,337,571	81,534,472	89,843,609	96,616,735	104,982,763	131,372,871
One year later	32,909,168	40,829,796	46,775,919	71,723,793	85,861,606	81,049,187	88,502,097	96,937,542	103,064,992	-
Two years later	32,901,826	40,829,796	46,501,524	71,557,873	85,937,305	80,963,771	88,262,020	96,965,575	-	-
Three years later	32,885,945	40,829,795	45,819,905	71,531,984	85,892,231	80,951,185	88,254,429	-	-	-
Four years later	32,885,945	40,591,131	45,818,589	71,531,177	85,887,687	80,951,185	-	-	-	-
Five years later	32,885,889	40,591,131	45,818,592	71,530,775	85,887,687	-	-	-	-	-
Six years later	32,885,889	40,591,131	45,818,592	71,530,775	-	-	-	-	-	-
Seven years later	32,885,889	40,591,056	45,818,592	-	-	-	-	-	-	-
Eight years later	32,885,889	40,591,056	-	-	-	-	-	-	-	-
Nine years later	32,885,889	-	-	-	-	-	-	-	-	-
7. Increase (decrease) in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	1,073,927	(408,662)	(1,094,099)	240,351	(2,449,884)	(583,287)	(1,589,180)	348,840	(1,917,771)	-

County Employee Benefits Consortium of Ohio, Inc.

Required Supplemental Information Schedule of Reconciliation of Reserve for Unpaid Claims by Type of Contract

	Fiscal and Policy Years Ending December 31														
	2014					2013					2012				
	Medical	Pharmacy	Dental	Vision	Total	Medical	Pharmacy	Dental	Vision	Total	Medical	Pharmacy	Dental	Vision	Total
Reserve for Unpaid Claims and Claim Adjustment Expenses - Beginning of year	\$ 11,324,000	\$ 973,600	\$ 49,600	\$ 6,301	\$ 12,353,501	\$ 9,062,000	\$ 889,700	\$ 54,500	\$ 7,700	\$ 10,013,900	\$ 7,452,000	\$ 756,300	\$ 50,000	\$ 8,101	\$ 8,266,401
Incurred Claims and Claim Adjustment Expenses:															
Provision for claims incurred in the current year	104,184,813	25,354,118	1,615,390	218,550	131,372,871	84,234,948	19,225,289	1,319,288	204,113	104,983,638	77,589,555	17,621,027	1,226,453	179,700	96,616,735
Change in provision for claims incurred in prior years	(473,929)	(1,420,910)	(2,800)	(566)	(1,898,205)	118,798	(43,224)	(9,445)	(3,005)	63,124	(1,402,677)	(48,376)	(19,731)	(2,023)	(1,472,807)
Total incurred claims and claim adjustment expenses	103,710,884	23,933,208	1,612,590	217,984	129,474,666	84,353,746	19,182,065	1,309,843	201,108	105,046,762	76,186,878	17,572,651	1,206,722	177,677	95,143,928
Payments:															
Claims and claim adjustment expenses attributable to claims incurred in the current year	90,927,813	24,148,718	1,552,390	211,250	116,840,171	72,910,948	18,251,689	1,269,688	197,812	92,630,137	68,527,555	16,731,327	1,171,953	172,000	86,602,835
Claims and claim adjustment expenses attributable to claims incurred in prior years	10,850,071	(447,310)	46,800	5,734	10,455,295	9,180,798	846,476	45,055	4,695	10,077,024	6,049,323	707,924	30,269	6,078	6,793,594
Total payments	101,777,884	23,701,408	1,599,190	216,984	127,295,466	82,091,746	19,098,165	1,314,743	202,507	102,707,161	74,576,878	17,439,251	1,202,222	178,078	93,396,429
Unpaid claims and claim adjustment expenses - End of fiscal year	\$ 13,257,000	\$ 1,205,400	\$ 63,000	\$ 7,301	\$ 14,532,701	\$ 11,324,000	\$ 973,600	\$ 49,600	\$ 6,301	\$ 12,353,501	\$ 9,062,000	\$ 889,700	\$ 54,500	\$ 7,700	\$ 10,013,900

**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***

Independent Auditor's Report

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

We have audited, 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, the financial statements of County Employee Benefits Consortium of Ohio, Inc. (CEBCO), which comprise the statement of net position as of December 31, 2014 and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County Employee Benefits Consortium of Ohio, Inc.'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Employee Benefits Consortium of Ohio, Inc.'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.

Plante & Moran, PLLC

May 13, 2015



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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MAY 28, 2015