County Employee Benefits Consortium of Ohio, Inc.

Financial Report
with Supplemental Information
December 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
County Employee Benefits Consortium of Ohio, Inc.
209 East State Street
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We have reviewed the *Independent Auditor's Report* of the County Employee Benefits Consortium of Ohio, Inc., Franklin County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The County Employee Benefits Consortium of Ohio, Inc. is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

May 23, 2019

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Independent Auditor's Report

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

Report on the Basic Financial Statements

We have audited the accompanying financial statements of County Employee Benefits Consortium of Ohio, Inc. (CEBCO) as of and for the years ended December 31, 2018 and 2017 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 Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 basic 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, 2018 and 2017 and the changes in its financial position and its cash flows thereof for the years 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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2019 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 10, 2019

Using this Annual Report

The Management of the County Employee Benefits Consortium of Ohio, Inc. (CEBCO) offers this overview of the organization and analysis of the financial activities of CEBCO for the fiscal years ended December 31, 2018, 2017 and 2016. Readers are encouraged to consider the information presented here in conjunction with CEBCO's financial statements and notes to the financial statements to enhance their understanding of CEBCO's financial performance.

Financial Overview

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

The basic financial statements, which follow this section, provide both long-term and short-term information about CEBCO's financial status. CEBCO uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

The three basic financial statements presented are as follows:

- **Statement of Net Position** – This statement presents information reflecting CEBCO's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities.

- **Statement of Revenue, Expenses, and Changes in Net Position** – This statement reflects operating and nonoperating revenue and expenses. Operating revenue consists primarily of premiums received net of reinsurance premiums paid, with the major sources of operating expenses being claims and claims adjustment expense, and general and administrative expenses. Nonoperating revenue and expenses consist primarily of investment activity.

- **Statement of Cash Flows** – This statement is presented on the direct method of reporting and reflects cash flows from operating, financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

In 2002, the County Commissioners Association of Ohio (CCAO) set out to establish a health benefits program for Ohio counties. The goal was to provide the highest quality yet most cost-effective medical and related benefits for county employees. CCAO funded and sponsored the development of the program, which would become CEBCO. CEBCO was incorporated as a non-profit, governmental health insurance pool on October 28, 2003. Operations and plan coverage officially began on January 1, 2004. On that date, CEBCO had six member counties. At December 31, 2018, CEBCO had a total of 33 member counties with medical coverage and one member county with dental coverage only, and also provides insurance benefits for CCAO staff.

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 (PPO) plans offered with five Prescription Drug Plans and three High Deductible Health Plans (HDHP) for the member counties to select from to create their benefit designs. Each county is assessed a fully insured equivalent rate on an annual basis, and premiums are paid into CEBCO monthly. Each county signs a three-year commitment to the CEBCO program.

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

Financial Overview (Continued)

Total estimated claims incurred for the policy year consist of claim payments and an estimate of claims incurred but not reported as determined by an independent actuary. The methods of making such estimates are reviewed by management and are made according to industry practice. Any changes to these estimates will have an impact on reported results of future periods.

CEBCO has purchased excess insurance coverage from a reinsurer to reduce its exposure to large specific losses. The excess insurance contract permits recovery of a portion of losses from the excess insurance carrier (Anthem), although it does not discharge the primary liability of CEBCO as direct insurer. For the years ended December 31, 2018, 2017 and 2016, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of $500,000 per subscriber, with no specific stop loss maximum. Management reviews the stop loss coverage every year to analyze the cost benefit of the coverage versus the premiums.

Approximately 96, 97, and 97 percent of total assets consist of cash and cash equivalents and investments at December 31, 2018, 2017, and 2016, respectively. Approximately 70, 63, and 63 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2018, 2017, and 2016, respectively. Approximately 94 percent of total operating expenses consist of claims expenses at December 31, 2018, 2017, and 2016. 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		
	2018	2017	2016
Current Assets			
Cash and cash equivalents	$ 27,872,811	$ 22,974,667	$ 21,000,681
Investments	11,269,068	11,693,751	12,043,844
Other assets	2,159,712	1,549,408	1,173,667
Total current assets	41,301,591	36,217,826	34,218,192
Noncurrent Assets			
Investments	41,787,434	41,090,436	39,678,313
Other assets	1,039,255	1,073,893	1,033,218
Total assets	84,128,280	78,382,155	74,929,723
Current Liabilities			
Reserve for unpaid claims	14,163,002	12,417,000	15,307,200
Other liabilities	5,955,303	7,371,146	8,884,648
Total liabilities	20,118,305	19,788,146	24,191,848
Net Position - Unrestricted			
Net investment in capital assets	25,951	57,221	92,667
Unrestricted	63,984,024	58,536,788	50,645,208
Total net position	**$ 64,009,975**	**$ 58,594,009**	**$ 50,737,875**

Financial Overview (Continued)

The following table shows the major components of changes in net position:

	Year Ended December 31		
	2018	2017	2016
Operating Revenue	$ 157,854,757	$ 154,377,129	$ 166,509,153
Operating Expenses			
Provision for claims	142,594,146	139,937,056	157,576,650
Claims administration	5,377,889	5,357,657	5,385,601
Other general and administrative expenses	4,121,313	4,167,899	5,042,548
Total operating expenses	152,093,348	149,462,612	168,004,799
Operating Income (Loss)	5,761,409	4,914,517	(1,495,646)
Nonoperating (Expenses) Revenue			
Interest and dividend income	1,551,280	1,387,439	1,315,237
Realized and unrealized (losses) gains on investments	(1,787,606)	1,663,177	1,104,329
Other nonoperating expenses	(109,117)	(108,999)	(131,727)
Total nonoperating (expenses) revenue	(345,443)	2,941,617	2,287,839
Change in Net Position	**$ 5,415,966**	**$ 7,856,134**	**$ 792,193**

Condensed Comparative Financial Highlights

- Reserve for unpaid claims (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, increased by $1,746,002 in 2018 from 2017 and decreased by $2,890,200 in 2017 from 2016. The increase in 2018 was primarily due to an increase in estimated incurred medical claims and a change in the timeliness of estimated payments. The decrease in 2017 was primarily due to the decrease in the paid claims from 2016 to 2017. The claims decreased because the county of Butler withdrew from the CEBCO program as of January 1, 2017, decreasing employee lives covered by the CEBCO program by 1,345.

- Overall, CEBCO's net position increased by $5,415,966 from $58,594,009 in 2017 to $64,009,975 in 2018, and increased by $7,856,134 from $50,737,875 in 2016 to $58,594,009 in 2017. The increase in 2018 was the result of an increase in premiums greater than the increase in the provision for claims. The increase in 2017 was due to positive investment returns and a decrease in paid claims and in the unpaid reserve.

- Operating revenue, which represents premiums net of reinsurance premium expense, increased by $3,477,628 in 2018 and decreased by $12,132,024 in 2017. The increase in 2018 was due to a general rate increase consistent with medical trends. The decrease in 2017 was primarily due to a decrease in covered employee lives from 11,993 in 2016 to 10,470 in 2017, mainly due to the departure of Butler County from the CEBCO program.

- Claims expenses were $142,594,146, $139,937,056, and $157,576,650 for the years ended December 31, 2018, 2017, and 2016, respectively. These fluctuations were the result of changes in membership and the number of covered lives in the program during those years.

Condensed Comparative Financial Highlights (Continued)

- Nonoperating revenue decreased by $3,287,060 from 2017 to 2018 and increased by $653,778 from 2016 to 2017. Changes in respective years were attributable to changes in the market value of investments.

Economic Factors and Trends

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

CEBCO continues to enhance their wellness efforts, which began in 2011 with a grant program provided to members that funds wellness initiatives to be offered onsite and locally within their own counties. In 2014, the groundwork was laid for the next phase of the CEBCO wellness program, a consortium-wide incentive program. This program is designed to drive behavior change, encouraging participants to focus on their wellbeing through completion of specific health actions each year. Beginning in 2015, all member counties were required to offer the program to their employees enrolled in the CEBCO medical plan. In 2016, eligibility was expanded to included covered spouses. Through a data analysis conducted in early 2018, CEBCO found that counties who had more than 50% of their employees engaged in the wellness program from 2015 through 2017 received lower rate increases than counties with low engagement, under 20%. Higher engagement in this wellness program was generally tied to the type of incentive that was offered; incentives tied to the medical plan yielded much higher engagement than cash-like incentives. In 2018, CEBCO focused on how incentives are delivered in counties going forward, transitioning from modest cash-like incentives to more substantial employee premium differentials. Participation in the program in 2018 was double the participation in 2015, with 1 out of every 3 employees and spouses completing the program. The goal of the CEBCO wellness program is to improve the overall health of the CEBCO population, and therefore control healthcare spend.

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

The provision for claim payments is expected to be consistent with historical trends. All other operating expenses are expected to remain consistent with prior periods. CEBCO is unaware of any economic events or legislative actions that would have a significant impact on the operations of CEBCO.

Contacting CEBCO's Management

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

Statement of Net Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 27,872,811	$ 22,974,667
Investments (Notes 3 and 9)	11,269,068	11,693,751
Receivables:		
Interest receivable	243,530	232,252
Premium receivable	1,148,816	621,035
Prepaid expenses	767,366	696,121
Total current assets	41,301,591	36,217,826
Noncurrent assets:		
Funds on deposit	80,650	80,650
Investments (Notes 3 and 9)	41,787,434	41,090,436
Investment in joint venture (Note 7)	932,654	936,022
Capital assets - Net of depreciation (Note 6)	25,951	57,221
Total noncurrent assets	42,826,689	42,164,329
Total assets	84,128,280	78,382,155
Liabilities		
Current liabilities:		
Accounts payable	2,587,897	3,437,125
Reserve for unpaid claims and claims adjustment expenses (Note 4)	14,163,002	12,417,000
Unearned premium	3,367,406	3,934,021
Total liabilities	20,118,305	19,788,146
Equity - Net position		
Net investment in capital assets	25,951	57,221
Unrestricted	63,984,024	58,536,788
Total net position	**$ 64,009,975**	**$ 58,594,009**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue		
Premiums	$ 161,470,601	$ 157,764,711
Reinsurance premium expense (Note 5)	(3,615,844)	(3,387,582)
Total operating revenue	157,854,757	154,377,129
Operating Expenses		
Provision for claims: (Note 4)		
Paid	140,848,144	142,827,256
Change in reserve for unpaid claims	1,746,002	(2,890,200)
Total claims and claims adjustment expense incurred	142,594,146	139,937,056
Claims administration	5,377,889	5,357,657
Consulting and actuarial	454,926	511,522
Wellness program and incentives	1,358,710	1,351,235
Commissions	562,079	542,141
Depreciation	31,270	35,447
General and administrative expenses	1,714,328	1,727,554
Total operating expenses	152,093,348	149,462,612
Operating Income	5,761,409	4,914,517
Nonoperating Revenue (Expense)		
Interest and dividend income	1,551,280	1,387,439
Realized and unrealized (losses) gains on investments	(1,787,606)	1,663,177
Loss on ownership interest in joint venture (Note 7)	(3,368)	(4,529)
Investment fees	(106,014)	(106,138)
Other income	265	1,668
Total nonoperating (expense) revenue	(345,443)	2,941,617
Change in Net Position	5,415,966	7,856,134
Net Position - Beginning of year	58,594,009	50,737,875
Net Position - End of year	**$ 64,009,975**	**$ 58,594,009**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received for premiums and other	$ 160,376,205	$ 156,733,471
Cash paid for claims and claims administration	(147,137,787)	(148,300,082)
Cash payments to vendors for services and goods	(3,431,461)	(4,284,427)
Cash paid for excess insurance	(3,660,918)	(3,408,477)
Cash paid to employees for wages	(622,356)	(636,557)
Net cash provided by operating activities	5,523,683	103,928
Cash Flows from Investing Activities		
Interest income and dividends received	1,249,508	1,150,535
Purchases of investment securities	(7,013,974)	(15,795,203)
Proceeds from sale and maturities of investment securities	5,244,812	16,622,409
Investment fees paid	(105,885)	(107,683)
Net cash (used in) provided by investing activities	(625,539)	1,870,058
Net Increase in Cash and Cash Equivalents	4,898,144	1,973,986
Cash and Cash Equivalents - Beginning of year	22,974,667	21,000,681
Cash and Cash Equivalents - End of year	**$ 27,872,811**	**$ 22,974,667**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 5,761,409	$ 4,914,517
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	31,270	35,447
Changes in assets and liabilities:		
Premium and other receivables	(527,781)	(312,651)
Prepaid expenses	(71,245)	(49,075)
Deposits	-	(80,650)
Accounts payable	(849,357)	(794,871)
Reserves for unpaid claims	1,746,002	(2,890,200)
Unearned premium	(566,615)	(718,589)
Net cash and cash equivalents provided by operating activities	**$ 5,523,683**	**$ 103,928**
Significant Noncash Transactions - Noncash investing activities - Net unrealized (losses) gains and amortization on investments	$ (1,835,152)	$ 928,585

Note 1 - Nature of Business

County Employee Benefits Consortium of Ohio, Inc. (CEBCO) is an Ohio nonprofit 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 composed 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, 2018 and 2017, 33 Ohio counties were members of CEBCO as medical coverage participants, and one member county subscribed to dental coverage only. During 2018, two new counties joined and two withdrew from CEBCO's medical coverage program, and in 2017, one county joined and two withdrew from the program.

Note 2 - Significant Accounting Policies

Basis of Presentation

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

CEBCO distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with CEBCO's principal ongoing operations. The principal operating revenue relates to premiums. Operating expenses include the provision for claims, cost of services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash and Cash Equivalents

CEBCO considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds in interest-bearing checking accounts and short-term money market securities.

Investments

Investments consist of bonds, mutual funds, and equities, which are stated at fair value. Investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

Premium Revenue and Unearned Premiums

Premiums are paid monthly by participating entities and are recognized as revenue over the policy period. Receivables are recorded when earned. Management has determined amounts are collectible, and no allowance for doubtful accounts is required. Premiums collected in advance of applicable coverage periods are classified as unearned premiums.

CEBCO applied a flat amount of $2,000,000 from net position in 2018 and 2017 to lower the medical and prescription premium rates. The amount used in each year was determined by approval of the board of directors.

Note 2 - Significant Accounting Policies (Continued)

Rebates

Prescription rebates receivable cannot be reasonably estimated at year end. Therefore, rebates are recorded as a reduction in claims expense in the year that they are received. Total rebates received in 2018 and 2017 totaled $7,749,032 and $6,348,255, respectively.

Reserve for Unpaid Claims and Claims Adjustment Expense

CEBCO's reserve for unpaid claims and claims adjustment expense 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, 2018 and 2017. This includes an estimate of claims incurred but not yet reported as of December 31, 2018 and 2017.

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 statement 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 (CORSA), a property and liability risk-sharing pool sponsored by CCAO, provides general liability, errors and omissions, property, and crime coverage to CEBCO. CEBCO also utilizes outside directors and officer coverage through Lloyds of London. Since CCAO and 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 four years.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is reported as unrestricted, net investment in capital assets, or restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governments. At the discretion of the board of directors, net position may be designated for CEBCO's contingency reserve fund. The contingency reserve fund is to be used only in cases of unexpected and unusually high claims payments, or when claims are such that a deficit is created in the claims fund. The contingency reserve fund is not to be used for wellness initiatives or to reduce premiums. The value of the contingency reserve fund will fluctuate based on changes in the fair market value of the investments held within the contingency reserve investment accounts. At December 31, 2018 and 2017, the net position designated for the contingency reserve fund totaled $12,968,634 and $12,596,508, respectively.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates exist relating to the valuation of investments and reserve for unpaid claims, as described in Notes 3 and 4, respectively.

Tax Status

CEBCO's income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision for income taxes is reflected in the financial statements.

Premium Deficiency

Anticipated investment income is considered in determining if a premium deficiency exists. No premium deficiency reserve was required at December 31, 2018 or 2017.

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 10, 2019.

Note 3 - Deposits and Investments

CEBCO's investment policy authorizes CEBCO to make investments in the following allowable assets: cash equivalents (U.S. Treasury bills, money market funds, commercial paper, repurchase agreements, and certificates of deposit); fixed-income securities of investment grade quality (including U.S. government and agency securities, mortgage-related obligations, U.S. corporate debt securities, 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, and Vanguard for deposit of its funds. CEBCO has designated Asset Allocation and Management Company, LLC as its investment 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 $27,872,811 and $22,974,667 at December 31, 2018 and 2017, respectively.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, CEBCO's deposits may not be returned to it. CEBCO does not have a deposit policy for custodial credit risk. At year end, CEBCO had bank deposits of $27,872,811. Of this amount, $500,000 was insured by the Federal Depository Insurance Corporation (FDIC). CEBCO believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the CEBCO evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

Investments

Investments are reported at fair value. At December 31, 2018 and 2017, CEBCO had the following investments:

Investment Type	Fair Value 2018	Fair Value 2017
Fixed-income securities	$ 41,552,845	$ 40,528,346
Mutual funds - Equities	9,285,714	9,972,407
Mutual funds - Bonds	2,217,943	2,283,434
Total investments	$ 53,056,502	$ 52,784,187

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 year end, CEBCO had the following average maturities of fixed-income securities:

	2018		2017	
Investment	Fair Value	Weighted-average Maturity (Years)	Fair Value	Weighted-average Maturity (Years)
U.S. Treasury securities	$ 4,902,646	6.25	$ 4,369,095	6.72
Asset-backed securities	4,188,298	1.24	3,883,685	1.72
Corporate bonds	16,472,046	4.76	17,951,352	4.53
Mutual funds - High-yield bonds	2,217,943	6.80	2,283,434	5.10
Mortgage-backed/collateralized mortgage-backed securities	12,095,643	4.98	11,222,676	4.85
Municipal bonds	3,894,212	4.43	3,101,538	4.38
Total	$ 43,770,788		$ 42,811,780	

Note 3 - Deposits and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer to an investment will not fulfill its obligation.

At December 31, 2018 and 2017, the credit quality ratings of fixed-income securities by type are as follows:

	2018			2017		
Investment	Fair Value	Rating	Rating Organization	Fair Value	Rating	Rating Organization
Asset-backed securities	$ 2,627,405	Aaa	Moody's	$ 2,165,595	Aaa	Moody's
	1,560,893	AAA	S&P	1,718,090	AAA	S&P
Total asset-backed securities	4,188,298			3,883,685		
Corporate bonds	322,912	Aaa	Moody's	327,169	Aaa	Moody's
	270,056	Aa1	Moody's	278,234	Aa1	Moody's
	559,279	Aa2	Moody's	886,300	Aa2	Moody's
	1,236,260	Aa3	Moody's	1,261,075	Aa3	Moody's
	1,379,688	A1	Moody's	1,968,362	A1	Moody's
	2,204,066	A2	Moody's	2,149,450	A2	Moody's
	3,095,752	A3	Moody's	4,049,665	A3	Moody's
	-	Ba1	Moody's	174,141	Ba1	Moody's
	4,121,103	Baa1	Moody's	4,201,405	Baa1	Moody's
	2,614,829	Baa2	Moody's	1,531,403	Baa2	Moody's
	601,676	Baa3	Moody's	1,058,985	Baa3	Moody's
	66,425	BBB	Kroll	65,163	BBB	Kroll
Total corporate bonds	16,472,046			17,951,352		
U.S. Treasury securities	4,902,646	Aaa	Moody's	4,369,095	Aaa	Moody's
Mortgage-backed securities/collateralized mortgage-backed securities	799,312	AAA	S&P	522,771	AAA	S&P
	11,234,241	Aaa	Moody's	10,623,551	Aaa	Moody's
	62,090	AA+	S&P	76,354	AA+	S&P
Total mortgage-backed securities/collateralized mortgage-backed securities	12,095,643			11,222,676		
Municipal bonds	363,467	Aaa	Moody's	365,904	Aaa	Moody's
	1,884,484	Aa1	Moody's	1,063,891	Aa1	Moody's
	1,283,398	Aa2	Moody's	1,300,507	Aa2	Moody's
	153,308	Aa3	Moody's	155,968	Aa3	Moody's
	209,555	Not Rated		215,268	Not Rated	
Total municipal bonds	3,894,212			3,101,538		
Mutual funds - High-yield bonds	$ 2,217,943	B	Moody's	$ 2,283,434	B	Moody's

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, 2018 and 2017.

Note 3 - 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 4 - 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, 2018. 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 adjustment to these amounts will affect the reported results of the future periods.

The following table represents changes in the reserve for unpaid claims for CEBCO for the years ended December 31, 2018, 2017, and 2016:

	2018	2017	2016
Reserves for unpaid claims and claim adjustment expenses - Beginning of year	$ 12,417,000	$ 15,307,200	$ 16,203,902
Incurred claims and claims adjustment expenses:			
Provision of claims incurred in current year	144,575,060	144,810,069	162,488,299
Change in provision for insured events of prior fiscal years	(1,980,914)	(4,873,013)	(4,911,649)
Total incurred claims and claims adjustment expenses	142,594,146	139,937,056	157,576,650
Payments:			
Claims and claims adjustment expenses paid for claims incurred in current year	130,412,060	132,393,069	147,181,099
Claims and claim adjustment expenses paid for claims incurred in prior years	10,436,084	10,434,187	11,292,253
Total payments	140,848,144	142,827,256	158,473,352
Unpaid claims and claims adjustment expenses - End of fiscal year	$ 14,163,002	$ 12,417,000	$ 15,307,200

Reserves for unpaid claims and claim adjustment expenses attributable to insured events in the 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 5 - Excess Insurance Coverage

CEBCO has purchased 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, 2018 and 2017, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of $500,000 per subscriber, with no specific stop-loss maximum.

Note 5 - Excess Insurance Coverage (Continued)

Premiums under this contract during the years ended December 31, 2018 and 2017 totaled $3,615,844 and $3,387,582, respectively.

Note 6 - Capital Assets

Capital asset activity for the years ended December 31, 2018 and 2017 was as follows:

	Balance January 1, 2018	Additions	Disposals	Balance December 31, 2018
Capital assets being depreciated:				
Furniture and equipment	$ 20,795	$ -	$ -	$ 20,795
Automobiles	174,583	-	-	174,583
Subtotal	195,378	-	-	195,378
Accumulated depreciation:				
Furniture and equipment	19,822	531	-	20,353
Automobiles	118,335	30,739	-	149,074
Subtotal	138,157	31,270	-	169,427
Net capital assets	$ 57,221	$ (31,270)	$ -	$ 25,951

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets being depreciated:				
Furniture and equipment	$ 20,795	$ -	$ -	$ 20,795
Automobiles	174,583	-	-	174,583
Subtotal	195,378	-	-	195,378
Accumulated depreciation:				
Furniture and equipment	19,293	529	-	19,822
Automobiles	83,418	34,917	-	118,335
Subtotal	102,711	35,446	-	138,157
Net capital assets	$ 92,667	$ (35,446)	$ -	$ 57,221

Total depreciation expense was $31,270 and $35,447 for the years ended December 31, 2018 and 2017, respectively.

Note 7 - 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, OH 42315. During 2008, CEBCO contributed $1,000,000 to fund its 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 County Governance Facility, LLC at December 31, 2018 and 2017 was $932,654 and $936,022, respectively. CEBCO accounts for the investment under the equity method.

Note 8 - Related Party Transactions

CEBCO and its property and liability counterpart, CORSA, were created by 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 healthcare 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 $1,174,029 and $1,173,728 during the years ended December 31, 2018 and 2017, respectively. The amount paid for investment and insurance expenses by CEBCO to CORSA was $144,585 and $151,283 during the years ended December 31, 2018 and 2017, respectively.

Note 9 - Fair Value Measurements

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

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

CEBCO has the following recurring fair value measurements as of December 31, 2018 and 2017:

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

Note 9 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Debt securities:				
Mutual funds - High-yield bonds	$ 2,283,434	$ -	$ -	$ 2,283,434
Asset-backed securities	-	3,883,685	-	3,883,685
Corporate bonds	-	17,951,352	-	17,951,352
Municipal bonds	-	3,101,538	-	3,101,538
U.S. Treasury securities	4,369,095	-	-	4,369,095
Mortgage-backed/ collateralized mortgage-backed securities	-	11,222,676	-	11,222,676
Total debt securities	6,652,529	36,159,251	-	42,811,780
Equity securities - Mutual funds	9,972,407	-	-	9,972,407
Total assets	$ 16,624,936	$ 36,159,251	$ -	$ 52,784,187

The following summarizes the valuation method used in determining fair value measurements:

Level 1 Measurements

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

Level 2 Measurements

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

Required Supplemental Information

December 31, 2018

Claims Development Information

The table on the following page illustrates how CEBCO earned revenue (net of excess insurance) and investment income compared 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 the 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, and 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.

Required Supplemental Information
Schedule of Claims Development (Continued)

December 31, 2018

	Policy Year Ended December 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1.	Required contributions and investment income:										
	Earned	$ 93,353,175	$ 94,032,182	$ 103,829,827	$ 109,146,419	$ 112,861,904	$ 139,032,206	$ 151,284,450	$ 172,111,301	$ 160,812,466	$ 161,231,172
	Ceded	1,347,182	739,999	840,548	1,114,484	1,059,623	1,827,829	2,704,190	3,203,896	3,387,582	3,615,844
	Net	92,005,993	93,292,183	102,989,279	108,031,935	111,802,281	137,204,377	148,580,260	168,907,405	157,424,884	157,615,328
2.	Expenses other than allocated claim adjustment expenses	5,391,044	5,504,932	5,831,729	6,197,311	6,642,977	8,799,834	9,743,953	10,538,564	9,631,694	9,605,216
3.	Estimated claims and allocated claim adjustment expenses - End of policy year:										
	Incurred	89,093,702	81,920,983	90,620,600	98,454,324	110,146,663	135,352,475	149,825,654	165,050,114	147,637,396	153,361,976
	Ceded	756,131	386,511	776,991	1,837,589	5,163,900	3,979,604	3,491,747	2,561,815	2,827,327	8,786,916
	Net	88,337,571	81,534,472	89,843,609	96,616,735	104,982,763	131,372,871	146,333,907	162,488,299	144,810,069	144,575,060
4.	Cumulative paid claims and allocated claim adjustment expenses:										
	End of policy year	79,958,391	74,439,272	81,577,208	86,602,835	92,630,140	116,840,171	130,130,005	147,181,099	132,393,069	130,412,060
	One year later	85,861,606	81,049,187	88,502,097	96,937,542	103,064,992	127,039,972	141,308,869	157,289,113	142,904,501	-
	Two years later	85,937,305	80,963,771	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	-	-
	Three years later	85,892,231	80,951,185	88,254,429	97,083,331	103,467,456	127,161,861	141,577,347	-	-	-
	Four years later	85,887,687	80,951,185	88,254,429	87,083,331	103,467,456	127,172,216	-	-	-	-
	Five years later	85,887,687	80,951,185	88,254,429	97,083,331	103,467,457	-	-	-	-	-
	Six years later	85,887,687	80,951,185	88,254,429	97,083,331	-	-	-	-	-	-
	Seven years later	85,887,687	80,951,185	88,254,429	-	-	-	-	-	-	-
	Eight years later	85,887,687	80,951,185	-	-	-	-	-	-	-	-
	Nine years later	85,887,687	-	-	-	-	-	-	-	-	-
5.	Re-estimated ceded claims and expenses	756,131	386,511	776,991	1,837,589	5,776,358	4,081,771	3,568,983	2,829,206	3,067,925	8,786,916
6.	Re-estimated incurred claims and allocated claim adjustment expenses:										
	End of policy year	88,337,571	81,534,472	89,843,609	96,616,735	104,982,763	131,372,871	146,333,907	162,488,299	144,810,069	144,575,060
	One year later	85,861,606	81,049,187	88,502,097	96,937,542	103,064,992	127,039,972	141,308,869	157,289,113	142,904,501	-
	Two years later	85,937,305	80,963,771	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	157,254,745	-	-
	Three years later	85,892,231	80,951,185	88,254,429	97,083,331	103,467,456	127,161,862	141,577,347	-	-	-
	Four years later	85,887,687	80,951,185	88,254,429	97,083,331	103,467,456	127,172,217	-	-	-	-
	Five years later	85,887,687	80,951,185	88,254,429	97,083,331	103,467,457	-	-	-	-	-
	Six years later	85,887,687	80,951,185	88,254,429	97,083,331	-	-	-	-	-	-
	Seven years later	85,887,687	80,951,185	88,254,429	-	-	-	-	-	-	-
	Eight years later	85,887,687	80,951,185	-	-	-	-	-	-	-	-
	Nine years later	85,887,687	-	-	-	-	-	-	-	-	-
7.	(Decrease) increase in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	(2,449,884)	(583,287)	(1,589,180)	466,596	(1,515,307)	(4,200,654)	(4,756,560)	(5,233,554)	(1,905,568)	-

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

By Contract Type
Fiscal and Policy Years Ended December 31

	2018					2017					2016				
	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	$ 12,044,000	$ 281,000	$ 79,000	$ 13,000	$ 12,417,000	$ 14,888,000	$ 343,000	$ 65,000	$ 11,200	$ 15,307,200	$ 15,044,002	$ 1,083,000	$ 65,000	$ 11,900	$ 16,203,902
Incurred claims and claims adjustment expenses:															
Provision for claims incurred in the current year	119,189,652	23,041,541	2,087,544	256,323	144,575,060	119,543,451	22,978,187	2,036,580	251,851	144,810,069	127,777,183	32,784,898	1,684,914	241,304	162,488,299
Change in provision for claims incurred in prior years	(1,703,833)	(267,418)	(7,869)	(1,794)	(1,980,914)	(4,493,407)	(375,373)	(4,497)	264	(4,873,013)	(2,500,312)	(2,400,192)	(9,820)	(1,325)	(4,911,649)
Total incurred claims and claims adjustment expenses	117,485,819	22,774,123	2,079,675	254,529	142,594,146	115,050,044	22,602,814	2,032,083	252,115	139,937,056	125,276,871	30,384,706	1,675,094	239,979	157,576,650
Payments:															
Claims and claims adjustment expenses paid for claims incurred in current year	105,534,652	22,607,541	2,026,544	243,323	130,412,060	107,499,451	22,697,187	1,957,580	238,851	132,393,069	112,889,183	32,441,898	1,619,914	230,104	147,181,099
Claims and claims adjustment expenses paid for claims incurred in prior years	10,340,165	13,582	71,131	11,206	10,436,084	10,394,593	(32,373)	60,503	11,464	10,434,187	12,543,690	(1,317,192)	55,180	10,575	11,292,253
Total payments	115,874,817	22,621,123	2,097,675	254,529	140,848,144	117,894,044	22,664,814	2,018,083	250,315	142,827,256	125,432,873	31,124,706	1,675,094	240,679	158,473,352
Unpaid Claims and Claims Adjustment Expenses - End of year	**$ 13,655,002**	**$ 434,000**	**$ 61,000**	**$ 13,000**	**$ 14,163,002**	**$ 12,044,000**	**$ 281,000**	**$ 79,000**	**$ 13,000**	**$ 12,417,000**	**$ 14,888,000**	**$ 343,000**	**$ 65,000**	**$ 11,200**	**$ 15,307,200**

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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*

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, 2018 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 10, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CEBCO's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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

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 10, 2019

OHIO AUDITOR OF STATE
KEITH FABER

COUNTY EMPLOYEE BENEFITS CONSORTIUM OF OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 6, 2019

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