County Employee Benefits Consortium of Ohio, Inc.

Financial Report
with Supplemental Information
December 31, 2017

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, 2017 through December 31, 2017. 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.

Dave Yost
Auditor of State

May 29, 2018

This page intentionally left blank.

Contents

This page intentionally left blank.

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

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 basic financial statements of County Employee Benefits Consortium of Ohio, Inc. (CEBCO) as of and for the years ended December 31, 2017 and 2016 and the related notes to the basic 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 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 opinions.

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, 2017 and 2016 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 14, 2018 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 14, 2018

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, 2017, 2016 and 2015. 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 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 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, 2017, CEBCO had a total of 33 member counties, 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 PPO (Preferred Provider Organization) plans offered with five Prescription Drug Plans and three HDHP (High Deductible Health Plans) for the member counties to select from to create their benefit designs. Each county is assessed a fully insured equivalent rate on an annual basis, and premiums are paid into CEBCO monthly. Each county signs a three-year commitment to the CEBCO program.

In analyzing CEBCO's financial position, it is important to recognize the mission of CEBCO. From a financial perspective, CEBCO's core objective is to provide cost-effective and high-quality group medical and dental coverage for Ohio counties, including employee medical, prescription 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, 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. For the year ended December 31, 2015, the excess insurance contract provided coverage for medical and prescription drug benefits in excess of $450,000 per subscriber, except for one subscriber whose specific stop loss deductible amount was $2,000,000, with no specific stop loss maximum. Management reviews the stop loss coverage every year to analyze the cost benefit of the coverage versus the premiums.

Approximately 97 percent of total assets consist of cash and cash equivalents, and investments at December 31, 2017, 2016, and 2015. Approximately 63, 63, and 73 percent of total liabilities consist of the reserve for unpaid claims at December 31, 2017, 2016, and 2015, respectively. Approximately 94 percent of total operating expenses consist of claims expenses at December 31, 2017, 2016, and 2015. 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		
	2017	2016	2015
Current Assets			
Cash and cash equivalents	$ 22,974,667	$ 21,000,681	$ 17,330,478
Investments	11,693,751	12,043,844	12,335,532
Other assets	1,549,408	1,173,667	1,065,035
Total current assets	36,217,826	34,218,192	30,731,045
Noncurrent Assets			
Investments	41,090,436	39,678,313	40,326,293
Other assets	1,073,893	1,033,218	1,060,384
Total assets	78,382,155	74,929,723	72,117,722
Current Liabilities			
Reserve for unpaid claims	12,417,000	15,307,200	16,203,902
Other liabilities	7,371,146	8,884,648	5,968,138
Total liabilities	19,788,146	24,191,848	22,172,040
Net Position - Unrestricted			
Net investment in capital assets	57,221	92,667	98,519
Unrestricted	58,536,788	50,645,208	49,847,163
Total net position	**$ 58,594,009**	**$ 50,737,875**	**$ 49,945,682**

Financial Overview (Continued)

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

	Year Ended December 31		
	2017	2016	2015
Operating Revenue	$ 154,377,129	$ 166,509,153	$ 148,197,121
Operating Expenses			
Provision for claims	139,937,056	157,576,650	142,523,365
Claims administration	5,357,657	5,385,601	5,026,309
Other general and administrative expenses	4,167,899	5,042,548	4,593,950
Total operating expenses	149,462,612	168,004,799	152,143,624
Operating Income (Loss)	4,914,517	(1,495,646)	(3,946,503)
Nonoperating Revenue (Expenses)			
Interest and dividend income	1,387,439	1,315,237	1,289,726
Realized and unrealized gains (losses) on investments	1,663,177	1,104,329	(910,254)
Other nonoperating expenses	(108,999)	(131,727)	(120,027)
Total nonoperating income	2,941,617	2,287,839	259,445
Change in Net Position	**$ 7,856,134**	**$ 792,193**	**$ (3,687,058)**

Condensed Comparative Financial Highlights

- Reserve for unpaid claims (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, decreased by $2,890,200 in 2017 from 2016, and decreased by $896,702 in 2016 from 2015. 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. The decrease in 2016 was due to an overall increase in the speed of claims processing, lessening the outstanding amount due at year-end, especially for prescription drug claims.

- Overall, CEBCO's net position increased by $7,856,134 from $50,737,875 in 2016 to $58,594,009 in 2017, and increased by $792,193 from $49,945,682 in 2015 to $50,737,875 in 2016. The increase in 2017 was due to positive investment returns and a decrease in paid claims and in the unpaid reserve. The increase in 2016 was the result of an increase in premiums that was more than the increase in the provision for claims, and positive investment gains.

- Operating revenue, which represents premiums net of reinsurance premium expense, decreased by $12,132,024 in 2017 and increased by $ $18,312,032 in 2016. The decrease in premiums 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. The increase in premiums in 2016 was caused by the addition of one new member county, and a general rate increase, consistent with medical trend rates.

Condensed Comparative Financial Highlights (Continued)

- Claims expenses were $139,937,056, $157,576,650, and $142,523,365 for the years ended December 31, 2017, 2016, and 2015, respectively. These fluctuations were the result of changes in membership and the number of covered lives in the program during those years.

- Nonoperating revenue increased by $653,778 from 2016 to 2017, and increased by $2,028,394 from 2015 to 2016. Changes in respective years were attributable to changes in the market value of investments.

Economic Factors and Trends

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 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.

CEBCO continues to advance their wellness program, which began in 2011 with a program to reimburse members for certain wellness activities. In 2014, the groundwork was laid for a CEBCO-wide incentive program. This program is designed to drive behavior change, allowing participants to focus on their wellbeing through completion of specific health actions throughout the program year. Beginning in 2015, all member counties were required to offer the incentive program to their employees enrolled in the CEBCO medical plan. In 2016, program eligibility was expanded to include enrolled spouses, in addition to employees. The health risks for repeat participants were reduced by 6.1% in 2017 from 2015 and 2016. Among the 201 health coaching completers in 2017, health risks dropped by 13.6% when compared to 2016. Program completions increased by 14% for employees and by 10.5% for the total eligible population from program year 1 (2015) to program year 3 (2017). In 2018, CEBCO will focus on how incentives are delivered, as it is clear that incentives tied to the medical benefits yield the greatest engagement. The ultimate goal of the CEBCO wellness program is to improve the overall health of the CEBCO population, and therefore control healthcare costs.

CEBCO is also committed to continually looking for ways to control program costs. For example, CEBCO conducts a vendor Request for Proposal process every three years for claims administration providers. This competitive process, results in lower program costs for vendor provided services and also provides a regular opportunity to enhance services to CEBCO’s members. As a result of these efforts CEBCO has decreased its operating expense ratio (computed by dividing total general and administrative expenses into operating revenue) from 3.1 percent in 2015 to 2.7 percent in 2017.

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, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 22,974,667	$ 21,000,681
Investments (Notes 3 and 9)	11,693,751	12,043,844
Receivables:		
Interest receivable	232,252	218,237
Premium receivable	621,035	308,384
Prepaid expenses	696,121	647,046
Total current assets	36,217,826	34,218,192
Noncurrent assets:		
Funds on deposit	80,650	-
Investments (Notes 3 and 9)	41,090,436	39,678,313
Investment in joint venture (Note 7)	936,022	940,551
Capital assets - Net of depreciation (Note 6)	57,221	92,667
Total noncurrent assets	42,164,329	40,711,531
Total assets	78,382,155	74,929,723
Liabilities - Current liabilities		
Accounts payable	3,437,125	4,232,038
Reserve for unpaid claims (Note 4)	12,417,000	15,307,200
Unearned premium	3,934,021	4,652,610
Total liabilities	19,788,146	24,191,848
Equity - Net position		
Net investment in capital assets	57,221	92,667
Unrestricted	58,536,788	50,645,208
Total net position	**$ 58,594,009**	**$ 50,737,875**

See notes to financial statements.

County Employee Benefits Consortium of Ohio, Inc.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenue		
Premiums	$ 157,764,711	$ 169,713,049
Reinsurance premium expense (Note 5)	(3,387,582)	(3,203,896)
Total operating revenue	154,377,129	166,509,153
Operating Expenses		
Provision for claims: (Note 4)		
Paid	142,827,256	158,473,352
Change in reserve for unpaid claims	(2,890,200)	(896,702)
Total claims	139,937,056	157,576,650
Claims administration	5,357,657	5,385,601
Consulting and actuarial	511,522	741,088
Wellness initiative program	1,351,235	1,396,337
Commissions	542,141	539,661
Depreciation	35,447	33,844
Transitional reinsurance fee	-	585,522
General and administrative expenses	1,727,554	1,746,096
Total operating expenses	149,462,612	168,004,799
Operating Income (Loss)	4,914,517	(1,495,646)
Nonoperating Revenue (Expenses)		
Interest and dividend income	1,387,439	1,315,237
Realized and unrealized gains on investments	1,663,177	1,104,329
Other income	1,668	-
Loss on ownership interest in joint venture (Note 7)	(4,529)	(21,314)
Investment fees	(106,138)	(110,413)
Total nonoperating revenue	2,941,617	2,287,839
Change in Net Position	7,856,134	792,193
Net Position - Beginning of year	50,737,875	49,945,682
Net Position - End of year	**$ 58,594,009**	**$ 50,737,875**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received for premiums and other	$ 156,733,471	$ 172,035,574
Cash paid for claims and claims administration	(148,300,082)	(162,913,183)
Cash payments to vendors for services and goods	(4,284,427)	(4,844,555)
Cash paid for excess insurance	(3,408,477)	(3,215,262)
Cash paid to employees for wages	(636,557)	(620,468)
Net cash provided by operating activities	103,928	442,106
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	-	(27,992)
Cash Flows from Investing Activities		
Interest income and dividends received	1,150,535	1,154,107
Purchases of investment securities	(15,795,203)	(14,245,227)
Proceeds from sale and maturities of investment securities	16,622,409	16,457,871
Investment fees paid	(107,683)	(110,662)
Net cash provided by investing activities	1,870,058	3,256,089
Net Increase in Cash and Cash Equivalents	1,973,986	3,670,203
Cash and Cash Equivalents - Beginning of year	21,000,681	17,330,478
Cash and Cash Equivalents - End of year	**$ 22,974,667**	**$ 21,000,681**
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 4,914,517	$ (1,495,646)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	35,447	33,844
Changes in assets and liabilities:		
Premium receivable	(312,651)	(164,361)
Prepaid expenses	(49,075)	48,211
Deposits	(80,650)	-
Accounts payable	(794,871)	429,874
Reserves for unpaid claims	(2,890,200)	(896,702)
Unearned premium	(718,589)	2,486,886
Net cash and cash equivalents provided by operating activities	**$ 103,928**	**$ 442,106**
Significant Noncash Transactions - Noncash investing activities - Net unrealized gains and amortization on investments	$ 928,585	$ 710,985

See notes to financial statements.

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 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, 2017 and 2016, 33 and 34 Ohio counties, respectively, were members of CEBCO as medical coverage participants. During 2017, one new county joined and two withdrew from CEBCO's medical coverage program, and in 2016, two counties joined and one 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 2017 and 2016 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. The amount of rebates received in 2017 that reduced the claims expense in that year was $6,348,255. The amount of rebates received in 2016 that reduced the claims expense in that year was $5,574,295.

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, 2017 and 2016. This includes an estimate of claims incurred but not yet reported as of December 31, 2017 and 2016.

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, along with its related corporations, are members of CEBCO, the medical and dental coverage for CCAO employees is provided by CEBCO. Settled claims relating to the above insurance coverages have not exceeded the amount of insurance coverage for each of the last three years.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is reported as unrestricted, net investment in capital assets, or restricted when there are legal limitations imposed on their use by external restrictions by creditors, grantors, laws, or regulations of other governments. At the discretion of the board of directors, net position may be designated for CEBCO's contingency reserve fund. The contingency reserve fund is to be used only in cases of unexpected and unusually high claims payments, or when claims are such that a deficit is created in the claims fund. The contingency reserve fund is not to be used for wellness initiatives or to reduce premiums. The value of the contingency reserve fund will fluctuate based on changes in the fair market value of the investments held within the contingency reserve investment accounts. At December 31, 2017 and 2016, the net position designated for the contingency reserve fund totaled $12,596,508 and $11,878,185, 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, 2017 or 2016.

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 14, 2018.

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, 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, and Vanguard for deposit of its funds. CEBCO also designated Fidelity for deposit of its funds until January 2017, when the funds were transferred to Vanguard. 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 $22,974,667 and $21,000,681 at December 31, 2017 and 2016, 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 $22,974,667. 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, 2017 and 2016, CEBCO had the following investments:

Investment Type	Fair Value 2017	Fair Value 2016
Fixed-income securities	$ 40,528,346	$ 39,434,674
Mutual funds - Equities	9,972,407	9,822,033
Mutual funds - Bonds	2,283,434	2,465,450
Total investments	$ 52,784,187	$ 51,722,157

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:

	2017		2016	
Investment	Fair Value	Weighted-average Maturity (Years)	Fair Value	Weighted-average Maturity (Years)
U.S. Treasury securities	$ 4,369,095	6.72	$ 4,592,173	4.74
U.S. federal agency securities	-		74,903	1.18
Asset-backed securities	3,883,685	1.72	3,495,560	1.86
Corporate bonds	17,951,352	4.53	18,439,908	4.26
Mutual funds - High-yield bonds	2,283,434	5.10	2,465,450	5.40
Mortgage-backed/collateralized mortgage-backed securities	11,222,676	4.85	11,137,493	5.02
Municipal bonds	3,101,538	4.38	1,694,637	4.60
Total	$ 42,811,780		$ 41,900,124	

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, 2017 and 2016, the credit quality ratings of fixed-income securities by type are as follows:

	2017			2016		
Investment	Fair Value	Rating	Rating Organization	Fair Value	Rating	Rating Organization
Asset-backed securities	$ 2,165,595	Aaa	Moody's	$ 1,983,496	Aaa	Moody's
	1,718,090	AAA	S&P	1,512,064	AAA	S&P
Total asset-backed securities	$ 3,883,685			$ 3,495,560		
Corporate bonds	327,169	Aaa	Moody's	322,202	Aaa	Moody's
	278,234	Aa1	Moody's	346,594	Aa1	Moody's
	886,300	Aa2	Moody's	884,236	Aa2	Moody's
	1,261,075	Aa3	Moody's	637,808	Aa3	Moody's
	1,968,362	A1	Moody's	2,832,222	A1	Moody's
	2,149,450	A2	Moody's	2,274,376	A2	Moody's
	4,049,665	A3	Moody's	3,654,725	A3	Moody's
	174,141	Ba1	Moody's	-		
	4,201,405	Baa1	Moody's	5,035,628	Baa1	Moody's
	1,531,403	Baa2	Moody's	1,667,845	Baa2	Moody's
	1,058,985	Baa3	Moody's	717,647	Baa3	Moody's
	65,163	BBB	Kroll	66,625	BBB	Kroll
Total corporate bonds	$ 17,951,352			$ 18,439,908		
U.S. Treasury securities	$ 4,369,095	Aaa	Moody's	$ 4,592,173	Aaa	Moody's
U.S. federal agency securities	$ -			$ 74,903	Aaa	Moody's
Mortgage-backed securities/collateralized mortgage-backed securities	522,771	AAA	S&P	312,254	AAA	S&P
	10,623,551	Aaa	Moody's	10,825,239	Aaa	Moody's
	76,354	AA+	S&P	-		
Total mortgage-backed securities/collateralized mortgage-backed securities	$ 11,222,676			$ 11,137,493		
Municipal bonds	365,904	Aaa	Moody's	135,772	Aaa	Moody's
	1,063,891	Aa1	Moody's	464,078	Aa1	Moody's
	1,300,507	Aa2	Moody's	468,698	Aa2	Moody's
	155,968	Aa3	Moody's	405,938	Aa3	Moody's
	215,268	Not Rated		220,151	Not Rated	
Total municipal bonds	$ 3,101,538			$ 1,694,637		
Mutual funds - High-yield bonds	$ 2,283,434	B	Moody's	$ 2,465,450	B	Moody's

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

Excluding investments issued or guaranteed by the U.S. government, there were no investments that individually exceeded 5 percent of CEBCO's total investments at December 31, 2017 and 2016.

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, 2017. 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, 2017, 2016, and 2015:

	2017	2016	2015
Reserves for unpaid claims and claim adjustment expenses - Beginning of year	$ 15,307,200	$ 16,203,902	$ 14,532,701
Incurred claims and claims adjustment expenses:			
Provision of claims incurred in current year	144,810,069	162,488,299	146,333,907
Change in provision for insured events of prior fiscal years	(4,873,013)	(4,911,649)	(3,810,542)
Total incurred claims and claims adjustment expenses	139,937,056	157,576,650	142,523,365
Payments:			
Claims and claims adjustment expenses paid for claims incurred in current year	132,393,069	147,181,099	130,130,005
Claims and claim adjustment expenses paid for claims incurred in prior years	10,434,187	11,292,253	10,722,159
Total payments	142,827,256	158,473,352	140,852,164
Unpaid claims and claims adjustment expenses - End of fiscal year	$ 12,417,000	$ 15,307,200	$ 16,203,902

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, 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.

Premiums under this contract during the years ended December 31, 2017 and 2016 totaled $3,387,582 and $3,203,896, respectively.

Note 6 - Capital Assets

Capital asset activity for the years ended December 31, 2017 and 2016 was as follows:

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

	Balance January 1, 2016	Additions	Disposals	Balance December 31, 2016
Capital assets being depreciated:				
Furniture and equipment	$ 20,795	$ -	$ -	$ 20,795
Vehicles	146,591	27,992	-	174,583
Subtotal	167,386	27,992	-	195,378
Accumulated depreciation:				
Furniture and equipment	18,764	529	-	19,293
Vehicles	50,103	33,315	-	83,418
Subtotal	68,867	33,844	-	102,711
Net capital assets	$ 98,519	$ (5,852)	$ -	$ 92,667

Total depreciation expense was $35,447 and $33,844 for the years ended December 31, 2017 and 2016, 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, Ohio 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, 2017 and 2016 was $936,022 and $940,551, respectively. CEBCO accounts for the investment under the equity method.

Note 8 - Related Party Transactions

CEBCO and its property and liability counterpart, CORSA, were created by the County Commissioners Association of Ohio (CCAO) to provide insurance for county employees. The three entities share office space, services, and operating expenses, which include salaries, telephone service, internet service, supplies, postage, and subscriptions. 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 $1,173,728 and $1,146,504 during the years ended December 31, 2017 and 2016, respectively. The amount paid for investment and insurance expenses by CEBCO to CORSA was $151,283 and $154,821 during the years ended December 31, 2017 and 2016, 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 the 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.

Note 9 - Fair Value Measurements (Continued)

CEBCO has the following recurring fair value measurements as of December 31, 2017 and 2016:

	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
U.S. Treasury securities	4,369,095	-	-	4,369,095
Mortgage-backed/ collateralized mortgage-backed securities	-	11,222,676	-	11,222,676
Municipal bonds	-	3,101,538	-	3,101,538
Total debt securities	6,652,529	36,159,251	-	42,811,780
Equity securities - Mutual funds	9,972,407	-	-	9,972,407
Total	$ 16,624,936	$ 36,159,251	$ -	$ 52,784,187

	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, 2016
Debt securities:				
Mutual funds - High-yield bonds	$ 2,465,450	$ -	$ -	$ 2,465,450
Asset-backed securities	-	3,495,560	-	3,495,560
Corporate bonds	-	18,439,908	-	18,439,908
Municipal bonds	-	1,694,637	-	1,694,637
U.S. Treasury securities	4,592,173	-	-	4,592,173
U.S. federal agency securities	-	74,903	-	74,903
Mortgage-backed/ collateralized mortgage-backed securities	-	11,137,493	-	11,137,493
Total debt securities	7,057,623	34,842,501	-	41,900,124
Equity securities - Mutual funds	9,822,033	-	-	9,822,033
Total assets	$ 16,879,656	$ 34,842,501	$ -	$ 51,722,157

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.

Note 9 - Fair Value Measurements (Continued)

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.

Required Supplemental Information

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, 2017

	Policy Year Ended December 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1.	Required contributions and investment income:										
	Earned	$ 84,755,353	$ 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
	Ceded	1,379,739	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
	Net	83,375,614	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
2.	Expenses other than allocated claim adjustment expenses	5,083,904	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
3.	Estimated claims and allocated claim adjustment expenses - End of policy year:										
	Incurred	71,585,326	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
	Ceded	294,902	756,131	386,511	776,991	1,837,589	5,163,900	3,979,604	3,491,747	2,561,815	2,827,327
	Net	71,290,424	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
4.	Cumulative paid claims and allocated claim adjustment expenses:										
	End of policy year	64,793,613	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
	One year later	71,723,792	85,861,606	81,049,187	88,502,097	96,937,542	103,064,992	127,039,972	141,308,869	157,289,113	-
	Two years later	71,557,873	85,937,305	80,963,771	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	-	-
	Three years later	71,531,984	85,892,231	80,951,185	88,254,429	97,083,331	103,467,456	127,161,861	-	-	-
	Four years later	71,531,177	85,887,687	80,951,185	88,254,429	97,083,331	103,467,456	-	-	-	-
	Five years later	71,530,775	85,887,687	80,951,185	88,254,429	97,083,331	-	-	-	-	-
	Six years later	71,530,775	85,887,687	80,951,185	88,254,429	-	-	-	-	-	-
	Seven years later	71,530,775	85,887,687	80,951,185	-	-	-	-	-	-	-
	Eight years later	71,530,775	85,887,687	-	-	-	-	-	-	-	-
	Nine years later	71,530,775	-	-	-	-	-	-	-	-	-
5.	Re-estimated ceded claims and expenses	294,902	756,131	386,511	776,991	1,837,589	5,776,358	4,081,771	3,568,983	2,829,206	2,827,327
6.	Re-estimated incurred claims and allocated claim adjustment expenses:										
	End of policy year	71,290,424	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
	One year later	71,723,793	85,861,606	81,049,187	88,502,097	96,937,542	103,064,992	127,039,972	141,308,869	157,289,113	-
	Two years later	71,557,873	85,937,305	80,963,771	88,262,020	96,965,575	103,469,596	127,155,501	141,628,681	-	-
	Three years later	71,531,984	85,892,231	80,951,185	88,254,429	97,083,331	103,467,456	127,161,862	-	-	-
	Four years later	71,531,177	85,887,687	80,951,185	88,254,429	97,083,331	103,467,456	-	-	-	-
	Five years later	71,530,775	85,887,687	80,951,185	88,254,429	97,083,331	-	-	-	-	-
	Six years later	71,530,775	85,887,687	80,951,185	88,254,429	-	-	-	-	-	-
	Seven years later	71,530,775	85,887,687	80,951,185	-	-	-	-	-	-	-
	Eight years later	71,530,775	85,887,687	-	-	-	-	-	-	-	-
	Nine years later	71,530,775	-	-	-	-	-	-	-	-	-
7.	Increase (decrease) in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	240,351	(2,449,884)	(583,287)	(1,589,180)	466,596	(1,515,307)	(4,211,009)	(4,705,226)	(5,199,186)	-

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

By Contract Type
Fiscal and Policy Years Ending December 31

	2017					2016					2015				
	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	$ 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	$ 13,257,000	$ 1,205,400	$ 63,000	$ 7,301	$ 14,532,701
Incurred claims and claims adjustment expenses:															
Provision for claims incurred in the current year	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	114,248,703	30,181,721	1,647,900	255,583	146,333,907
Change in provision for claims incurred in prior years	(4,493,407)	(375,373)	(4,497)	264	(4,873,013)	(2,500,312)	(2,400,192)	(9,820)	(1,325)	(4,911,649)	(923,674)	(2,876,236)	(12,918)	2,286	(3,810,542)
Total incurred claims and claims adjustment expenses	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	113,325,029	27,305,485	1,634,982	257,869	142,523,365
Payments:															
Claims and claims adjustment expenses paid for claims incurred in current year	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	99,204,701	29,098,721	1,582,900	243,683	130,130,005
Claims and claims adjustment expenses paid for claims incurred in prior years	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	12,333,326	(1,670,836)	50,082	9,587	10,722,159
Total payments	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	111,538,027	27,427,885	1,632,982	253,270	140,852,164
Unpaid Claims and Claims Adjustment Expenses - End 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**

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

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 basic statement of net position as of December 31, 2017 and the related basic 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 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEBCO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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 14, 2018

This page intentionally left blank.

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 12, 2018