

Audited Financial Statements

**CENTRAL OHIO HEALTH
CARE CONSORTIUM**

December 31, 2006 and 2005



Mary Taylor, CPA

Auditor of State

Board of Directors
Central Ohio Health Care Consortium
200 S. Hamilton Road
Gahanna, Ohio 43230

We have reviewed the *Independent Auditor's Report* of the Central Ohio Health Care Consortium, Franklin County, prepared by Schindler & Adams CPAs, for the audit period January 1, 2006 through December 31, 2006. 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 Central Ohio Health Care Consortium is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 19, 2007

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CENTRAL OHIO HEALTH CARE CONSORTIUM

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INDEPENDENT AUDITOR'S REPORT

Ted R. Schindler, CPA, CVA
Managing Member

Jody D. Adams, CPA
Member

To the Board of Directors
Central Ohio Health Care Consortium

We have audited the accompanying statements of net assets of Central Ohio Health Care Consortium as of December 31, 2006 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Central Ohio Health Care Consortium as of December 31, 2005, audited by us with a report dated May 11, 2006, were not subject to *Government Auditing Standards*.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Ohio Health Care Consortium as of December 31, 2006 and 2005 and its revenues, expenses and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued a report dated June 5, 2007 on our consideration of the Central Ohio Health Care Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control 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* and should be read in conjunction with this report in considering the results of our audit.

The information in the Management Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Columbus, Ohio

June 5, 2007

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED

The discussion and analysis of Central Ohio Health Care Consortium financial performance provides an overall review of Central Ohio Health Care Consortium for the year ended December 31, 2006. The intent of this discussion and analysis is to review Central Ohio Health Care Consortium performance as a whole; readers should also review the financial statements and notes to enhance their understanding of Central Ohio Health Care Consortium performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2006 are as follows:

- Cash and cash equivalents were \$4,116,662 at December 31, 2006, which represents a 7.01% increase from 2005. Cash and cash equivalents were \$3,846,927 at December 31, 2005, which represents a 36.31% increase from 2004.
- The Consortium had operating receipts of \$6,798,463 and \$8,803,052 for the year 2006 and 2005, respectively. The Consortium had operating disbursements of \$6,323,818 and \$7,568,382 for the year 2006 and 2005, respectively. The Consortium also reported net investment income of \$185,428 and \$96,329, for the years 2006 and 2005, respectively.
- The Consortium had only one claim that exceeded the specific stop loss limit of \$175,000 for the plan year ended December 31, 2006 and none in 2005.

Using the Basic Financial Statements

This annual report consists of financial statements and notes to those statements. The statements are organized so the reader can understand Central Ohio Health Care Consortium's activities. The Consortium's basis of accounting for reporting transactions is accrual.

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED

Reporting the Consortium Financial Activities

Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the Consortium's finances is "Is the Consortium as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Consortium as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private sector companies. Accrual of the Consortium's revenues and expenses are taken into account regardless of when cash is received or paid.

The table below provides a summary of the Consortium's net assets at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
<i>Assets</i>		
Cash and cash equivalents	\$ <u>4,116,662</u>	<u>\$3,846,927</u>
Total Assets	<u>4,233,035</u>	<u>3,910,290</u>
<i>Liabilities</i>		
Unpaid claims	<u>655,000</u>	<u>674,000</u>
Total Liabilities	<u>700,048</u>	<u>773,596</u>
<i>Net Assets</i>		
Unrestricted	\$ <u><u>3,532,987</u></u>	<u><u>\$ 3,136,694</u></u>

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED

The table below reports the changes in net assets for the years 2006 and 2005:

	<u>2006</u>	<u>2005</u>
<i>Revenues</i>		
Member contributions	\$ 6,798,463	\$ 8,803,052
Insurance coverages	(282,780)	(330,518)
Investment income, net	<u>185,428</u>	<u>96,329</u>
Total Revenues	<u>6,701,111</u>	<u>8,568,863</u>
<i>Expenses</i>		
Claims paid	6,119,953	7,316,253
Change in claims incurred but not reported	(19,000)	(87,000)
Administrative expenses	157,720	217,428
Legal and professional fees	37,009	25,839
Other expenses	<u>9,136</u>	<u>8,862</u>
Total Expenses	<u>6,304,818</u>	<u>7,481,382</u>
Net Change in Net Assets	<u>\$ 396,293</u>	<u>\$1,087,481</u>

For the 2006 year, total revenues decreased by 21.79% as compared to the 2005 year. In addition, total expenses decreased by 15.63% as compared to 2005. These decreases were a result of three members terminating their participation in the Consortium as December 31, 2005.

Current Issues

The Consortium is a not-for-profit insurance consortium owned by six political subdivisions (“members”) located throughout central Ohio. The Consortium’s main source of revenue is from contributions/premiums paid by the member political subdivisions. The Consortium also receives interest revenue through its investments.

The Consortium is committed to providing its members with the advantages of a large buying cooperative, while maintaining control by the member’s leadership. Underwriting considerations are of utmost importance in reviewing new membership applications, as the Consortium is committed to protecting the long-term financial interest of its core members, and will not admit a new member that will adversely impact premiums and claims payments.

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED

The Plan is designed to provide medical coverage for employees and covered dependents of the members through self insurance retention limits and a contract for individual and aggregate excess loss coverage through a self-insurance and a contract for individual and aggregate excess loss coverage through a separate insurance carrier. The Plan provides basic hospital, surgical and prescription drug coverage.

The Consortium Board of Directors and its consulting actuary, continually discuss program enhancements to the Plan and the establishment of premiums rates. Establishing premium rates that satisfy all claims, administrative expenses and other expenses of the Consortium, in addition to enhancing its net assets is important to the short-term and long-term interests of the Consortium.

The most significant challenge facing the Consortium Board is the continuing trend of increasing health care costs effecting medical and prescription drug coverages. This was the impetus that brought the participating members together in an attempt to benefit from the economies of scale that could be obtained from a group of approximately 550 covered employees, in lieu of each individual member independently entering the insurance marketplace. As the claims costs for medical and prescription drug continue to escalate, the Board is faced with the task of attempting to balance a quality benefits offering within the financial constraints of its members.

Contacting the Consortium's Financial Management

This financial report is designed to provide our members with a general overview of the Central Ohio Health Care Consortium's finances and to reflect the Consortium's accountability for taxpayer monies that it receives from its members. Questions concerning any of the information in this report or requests for additional information should be directed to Jerry Isler, Chairman, Central Ohio Health Care Consortium, 200 S. Hamilton Road, Gahanna, Ohio 43230.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
STATEMENTS OF NET ASSETS**

	December 31,	
	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,116,662	\$ 3,846,927
Accrued interest receivable	17,651	12,819
Amounts due from reinsurer	59,174	-
Amounts due from third party administrator	38,141	-
Member contributions receivable	1,407	50,544
Total Current Assets	<u>4,233,035</u>	<u>3,910,290</u>
TOTAL ASSETS	\$ <u>4,233,035</u>	\$ <u>3,910,290</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Unpaid claims - Note C	\$ 655,000	\$ 674,000
Deferred participant contributions	779	80,919
Accrued expenses	44,269	18,677
Total Current Liabilities	700,048	773,596
NET ASSETS		
Unreserved	<u>3,532,987</u>	<u>3,136,694</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,233,035</u>	\$ <u>3,910,290</u>

See accompanying notes to financial statements

**CENTRAL OHIO HEALTH CARE CONSORTIUM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS**

	Years Ended December 31,	
	2006	2005
REVENUES		
Member contributions	\$ 6,798,463	\$ 8,803,052
Less: Commercial insurance coverages--Note E	282,780	330,518
	<u>6,515,683</u>	<u>8,472,534</u>
Investment income, net of investment expenses of \$7,320 and \$3,070, respectively	185,428	96,329
	<u>6,701,111</u>	<u>8,568,863</u>
EXPENSES		
Claims	6,119,953	7,316,253
Administrative expenses	157,720	217,428
Legal and professional fees	37,009	25,839
Other administrative expenses	9,136	8,862
	<u>6,323,818</u>	<u>7,568,382</u>
NET CHANGE IN NET ASSETS BEFORE CHANGE IN CLAIMS INCURRED BUT NOT REPORTED	377,293	1,000,481
CHANGE IN CLAIMS INCURRED BUT NOT REPORTED	19,000	87,000
NET CHANGE IN NET ASSETS	396,293	1,087,481
Net Assets, beginning of year	<u>3,136,694</u>	<u>2,049,213</u>
NET ASSETS, END OF YEAR	<u>\$ 3,532,987</u>	<u>\$ 3,136,694</u>

See accompanying notes to financial statements

**CENTRAL OHIO HEALTH CARE CONSORTIUM
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	\$ 396,293	\$ 1,087,481
Adjustments to reconcile net change in net assets to net cash provided by operating activities		
(Increase)decrease in current assets:		
Accrued interest receivable	(4,832)	(8,816)
Amount due from reinsurer	(59,174)	5,191
Amounts receivable from third party	(38,141)	18,726
Member contributions receivable	49,137	(10,309)
Increase(decrease) in current liabilities:		
Incurred but not reported claims	(19,000)	(87,000)
Deferred participant contributions	(80,140)	8,958
Accrued expenses	25,592	10,481
Net cash provided by operating activities	269,735	1,024,712
NET INCREASE IN CASH AND CASH EQUIVALENTS	269,735	1,024,712
Cash and cash equivalents, beginning of year	3,846,927	2,822,215
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,116,662	\$ 3,846,927

See accompanying notes to financial statements

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

NOTE A - DESCRIPTION OF THE CONSORTIUM

The Central Ohio Health Care Consortium (“the Consortium” or “the Plan”) is a legally separate entity organized under Ohio Revised Code Section 9.833. The Consortium was established in 1992, as a joint self-insurance program formed by several political subdivisions throughout central Ohio. The purpose of the Consortium was to maximize benefits and reduce the costs of medical and prescription drug coverages for their employees and eligible dependents. These coverages are described in the summary of coverage benefits, which has been distributed to all member officers and employees covered by the Plan. Participants should refer to the plan agreement for a complete description of the Plan’s provisions.

Some of the more significant provisions of the Consortium are as follows:

Board of Directors

The Board of Directors is the governing body of the Consortium. Each Consortium Member appoints one individual to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman, Secretary and Treasurer, who are elected at the annual meeting of the Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors sets and approves all benefit programs to be offered through the Consortium, and all policies and other contracts are accepted or entered into by the Consortium. The Board of Directors sets all premium and other amounts to be paid by the Consortium members. All members of the Board of Directors serve without compensation.

Enrollment by Members

The original members entered into an irrevocable agreement to remain a member of the Plan for a minimum of three years. Any subsequent new members are required to remain as a member of the Plan until the end of the three year term in effect. As a part of this agreement, each member has agreed to participate in the funding of losses and other insurance related costs and administrative expenses of operating the Plan. The Consortium has established a new pool every three years to continue its self-insurance program.

Contributions

All members remit monthly contributions to the administrator, which are used to purchase excess loss insurance for the Plan, to pay current claims and related claim settlement expenses and to establish and maintain sufficient claim reserves. The monthly contribution is determined for each member in accordance with the number of covered employees and dependents and the prior loss experience of the respective member group. The members contributions represent an

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

NOTE A-DESCRIPTION OF PLAN - CONTINUED

amount in excess of the expected costs of the Plan, which has allowed the Plan to establish reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the Plan's operations.

Withdrawal of a Consortium Member

The Consortium Members may withdraw from the Consortium as of the end of the day on December 31 of any year by giving written notice no later than September 1 of that year. At and after the effective time of withdrawal, the withdrawing Member is wholly and solely responsible for providing health care benefits that had been previously provided by the Consortium, including but not limited to any and all incurred but not reported claims related to its prior participation. The Consortium will have no liability to the withdrawing member in any regard after the effective date of withdrawal.

Administration of the Plan

The Plan has entered into an agreement with an independent plan supervisor ("the Supervisor") to perform the majority of the duties related to the day to day operations of the plan. These duties include full responsibility for the approval and payment of claims submitted under the Plan, authority to pay all expenses incurred in the operation of the Plan and the preparation of a monthly report presenting receipts and disbursements by category, including the Supervisor's fees. In addition, the Supervisor is required to maintain both a fidelity bond covering all of its agents and employees and an errors and omissions insurance policy.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The summary of significant accounting policies of Central Ohio Health Care Consortium is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity.

For financial statement presentation purposes, the Consortium utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

The Consortium invests cash in money market funds. The Consortium maintains all of its cash balances with one bank. The Federal Deposit Insurance Corporation (FDIC) insures such cash balances to a maximum of \$100,000.

Contributions

Contributions are recognized on an accrual basis and are recorded in the month earned. Contributions receivable represent contributions due, but not received in the current period. Deferred contributions represent the portion of contributions paid, which will be earned in a future period.

Estimates

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of Consortium assets, liabilities and benefit obligations, and the reported increases and decreases of Consortium assets during the reporting periods. Actual results could differ from those estimates.

Plan Obligations

Provisions for claims are charged against income based upon the date the services are rendered to the covered member. The provisions include an estimate for claims incurred but not reported to the Plan at the end of each accounting period and administrative costs to process such claims. The liability is determined by an independent actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data.

Federal Income Tax

The Consortium has received an exemption from Federal income tax as an organization formed under Section 501(c)(9) of the Internal Revenue Code. The Consortium is not classified as a private foundation.

**CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005**

NOTE C - BENEFIT OBLIGATIONS

The Plan has retained the services of an independent plan supervisor experienced in claim request processing. A valid claim must be submitted to the Supervisor within ninety days after services have been provided. However, the Plan will accept claims up to twelve months after the usual filing deadline with a valid reason for the late filing of such a claim.

The provision for claims incurred but not reported are based upon an estimate, prepared by an independent actuary, for claims reported as of year end and those claims incurred but not reported to the Plan. The inherent uncertainty in estimating reserves may result in actual ultimate claims differing significantly from amounts provided for in the balance sheet.

For measurement purposes at December 31, 2006, a 10.4% annual rate of increase in cost of covered health care benefits was assumed, which represented an increase from the 2005 rate of 6.8%. At December 31, 2006 and 2005, the breakdown of unpaid loss and loss adjustment expenses was as follows:

	<u>2006</u>	<u>2005</u>
Medical and prescription drug	\$624,000	\$642,000
Loss adjustment expenses	<u>31,000</u>	<u>32,000</u>
	<u>\$655,000</u>	<u>\$674,000</u>

The Consortium is contingently liable with respect to excess loss coverage which would become a liability in the event that the excess insurance carriers are unable to meet the obligations assumed under these contracts. Claims in excess of members surplus, additional member assessments and excess carriers coverage are the responsibility of the members and not the Consortium.

NOTE D - FUNDS HELD BY TRUSTEE

Cash and cash equivalents held by the Trustee consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
Money Market Funds	<u>\$ 4,116,662</u>	<u>\$ 3,846,927</u>
	<u>\$ 4,116,662</u>	<u>\$ 3,846,927</u>

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

NOTE E - EXCESS LOSS AGREEMENT

The Consortium has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Plan for medical claims paid to an individual in excess of \$175,000 in 2006 and 2005, with an individual lifetime maximum of \$2 million. The aggregate excess loss coverage has been structured to indemnify the Plan for aggregate claims paid in excess of \$7,350,026 in 2006 and \$10,936,458 in 2005, to a maximum of \$1 million annually. The cost of the excess loss coverage was \$282,780 in 2006 and \$330,518 in 2005.

NOTE F - RELATED PARTY TRANSACTION

The Supervisor of the Plan is associated with the excess loss insurance carrier and receives a commission on the premiums paid for both the individual and aggregate excess loss coverages. The Supervisor received commissions of \$28,278 in 2006 and \$49,634 in 2005.

NOTE G - CONCENTRATIONS OF CREDIT RISK

The Consortium has concentrated its credit risk for cash and cash equivalents by maintaining deposits in a high quality bank located in central Ohio. The maximum loss that would have resulted from that risk at December 31, 2005 and 2006, totaled \$3,746,927 and \$4,016,662, respectively.

The Consortium's members are political subdivisions generally located in central Ohio, which represents a limited number of potential Plan members. The Plan has decreased its membership from a high of thirteen members to six members as of January 1, 2006.

NOTE H - TERMINATION OF MEMBERS

Three Consortium members elected to terminate its participation in the program effective January 1, 2006. As a condition to withdrawing from the Plan, the withdrawing members are required to reimburse the Consortium for the claims paid during 2006 on its behalf or the member must pay the claims directly.

NOTE I - TERMINATION OF PLAN

Under certain conditions, the Plan may be terminated. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Plan then in effect and shall be used to pay benefits to the participants as calculated by the Supervisor. Any remaining assets will then be returned to the participating members.

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005

NOTE I - TERMINATION OF PLAN - CONTINUED

If a participating member terminates its agreement with the Consortium, that member immediately becomes responsible for its benefit obligation. If a member terminates before its three term has expired, the member forfeits all rights to the Consortiums member reserves.

NOTE J - SUBSEQUENT EVENTS

Effective January 1, 2007, one Consortium member elected to terminate its participation in the Consortium's self-insurance program. As a condition to withdrawing from the Plan, the withdrawing member is required to reimburse the Consortium for the claims paid during 2007 on its behalf or the member must pay the claims directly.

The Consortium approved a contribution holiday for the month of January 2007. All members except one elected to accept the premium holiday. The amount of the contribution holiday for January 2007 will be approximately \$400,000.



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Ted R. Schindler, CPA, CVA
Managing Member

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Member

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Central Ohio Health Care Consortium
Columbus, Ohio

Our report on our audit of the basic financial statements of Central Ohio Health Care Consortium for 2006 appears on Page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedule I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Schindler & Adams".

Columbus, Ohio
June 5, 2007

**SCHEDULE I--RECONCILIATION OF UNPAID LOSS AND LOSS
ADJUSTMENT EXPENSES**

The schedule below presents the Consortium's changes in claims liabilities for the past two years.

	(in thousands)	
	<u>2006</u>	<u>2005</u>
Unpaid loss and loss adjustment expenses at the beginning of the year	\$ 674	\$ 761
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current year	<u>6,259</u>	<u>7,447</u>
Total incurred losses and loss adjustment expenses	6,933	8,208
Payments:		
Loss and loss adjustment expenses attributable to insured events of current year	6,054	7,058
Loss and loss adjustment expenses attributable to insured events of prior years	<u>224</u>	<u>476</u>
Total payments	<u>\$6,278</u>	<u>\$ 7,534</u>
Total unpaid losses and loss adjustment expenses at the end of the year	<u>\$ 655</u>	<u>\$ 674</u>

**SCHEDULE II
TEN YEAR CLAIMS DEVELOPMENT INFORMATION
CENTRAL OHIO HEALTH CARE CONSORTIUM**

The table below illustrates how the Consortium's earned revenues (net of reinsurance) and investment income compared to related costs of loss and other expenses assumed by the Consortium as of the end of each of the last ten years. The rows of the table are defined as follows:

(1) This line shows the total of each year's earned contribution and investment revenues.

(2) This line shows each year's other operating costs of the Consortium including overhead and loss expense not allocable to individual claims.

(3) This line shows the Consortium's incurred losses originally reported at the end of the year in which the event that triggered coverage under the contract occurred ("policy year").

(4) This section shows the cumulative amounts paid as of the end of successive years for each policy year.

(5) This section shows how each policy year's incurred losses increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(6) This line compares the latest reestimated incurred losses amount to the amount originally established and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred losses currently recognized in less mature policy years. The columns of the table show data for successive policy years.

**SCHEDULE II
TEN YEAR CLAIMS DEVELOPMENT INFORMATION
CENTRAL OHIO HEALTH CARE CONSORTIUM**

	Policy Year Ended (in thousands)									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Net earned required contribution and investment revenues	4,230	4,688	4,989	5,577	7,050	7,098	8,542	8,447	8,568	6,516
2. Unallocated expenses	22	15	14	14	21	38	25	20	35	46
3. Estimated incurred claims and expenses	4,080	5,147	5,020	5,609	5,431	6,875	8,043	7,208	7,447	6,259
4. Paid (cumulative) as of:										
End of policy year	3,672	4,795	4,786	5,196	4,850	6,108	7,419	6,527	7,058	6,054
One year later	4,009	5,131	5,209	5,739	5,457	6,652	8,047	7,003	7,282	
Two years later	4,009	5,123	5,206	5,732	5,460	6,656	8,047	7,003		
Three years later	4,409	5,123	5,206	5,732	5,460	6,656	8,047			
Four years later	4,409	5,123	5,206	5,732	5,460	6,656				
Five years later	4,409	5,123	5,206	5,732	5,460					
Six years later	4,409	5,123	5,206	5,732						
Seven years later	4,409	5,123	5,206							
Eight years later	4,409	5,123								
Nine years later	4,044									
5. Reestimated incurred claims and expenses										
End of policy year	4,080	5,147	5,020	5,609	5,431	6,875	8,043	7,208	7,447	6,259
One year later	4,009	5,131	5,206	5,739	5,457	6,652	8,124	7,003	7,282	
Two years later	4,009	5,131	5,206	5,732	5,460	6,656	8,047	7,003		
Three years later	4,009	5,131	5,206	5,732	5,460	6,656	8,047			
Four years later	4,009	5,131	5,206	5,732	5,460	6,656				
Five years later	4,009	5,131	5,206	5,732	5,460					
Six years later	4,009	5,131	5,206	5,732						
Seven years later	4,009	5,131	5,206							
Eight years later	4,009	5,131								
Nine years later	4,009									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	(71)	(16)	186	123	29	(219)	4	(205)	(165)	



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Member

**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***

We have audited the accompanying financial statements of the Central Ohio Health Care Consortium (“the Consortium”) as of and for the fiscal year ended December 31, 2006 and have issued our report thereon dated June 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Consortium’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium’s financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Consortium's management, in a separate letter dated June 5, 2007.

This report is intended solely for the information and use of the management and Board of Directors of the Central Ohio Health Care Consortium, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schindler & Adams".

Schindler & Adams

June 5, 2007



Mary Taylor, CPA
Auditor of State

CENTRAL OHIO HEALTH CARE CONSORTIUM

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
JULY 3, 2007**