

Audited Financial Statements

**CENTRAL OHIO HEALTH
CARE CONSORTIUM**

December 31, 2008 and 2007



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, for the audit period January 1, 2008 through December 31, 2008. 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

July 30, 2009

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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, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, which collectively comprise the Central Ohio Health Care Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Central Ohio Health Care Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 2008 and 2007 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 19, 2009 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by 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 19, 2009

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED

The management's discussion and analysis of Central Ohio Health Care Consortium ("the Consortium") financial performance provides an overall review of the Consortium's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the Consortium's performance as a whole; readers should also review the financial statements and notes to enhance their understanding of the Consortium's financial performance.

Financial Highlights

Key financial highlights for 2008, 2007 and 2006 are as follows:

- Cash and cash equivalents were \$4,016,867 at December 31, 2008, which represents a 1.03% increase from 2007. Cash and cash equivalents were \$3,900,482 at December 31, 2007, which represents a 5.25% decrease from 2006. Cash and cash equivalents were \$4,116,662 at December 31, 2006, which represents a 7.01% increase from 2005.
- The Consortium has retained an independent actuary, Willis of Wisconsin, to determine the loss and loss adjustment expense reserves. Based upon the actuary's report, the loss and loss adjustment expense reserves were \$651,453, \$745,260 and \$557,685 at December 31, 2008, 2007 and 2006, respectively.
- The Consortium had operating revenues of \$5,435,062, \$5,095,559 and \$6,798,463 for the years 2008, 2007 and 2006, respectively. The Consortium had operating expenses of \$5,271,520, \$5,647,254 and \$6,587,598 for the years 2008, 2007 and 2006, respectively. The Consortium also reported net investment income of \$32,004, \$183,735 and \$185,428, for the years 2008, 2007 and 2006, respectively.
- The Consortium had no claims that exceeded the individual stop loss limit of \$175,000 for the plan year ended December 31, 2008, three claims that exceeded that limit in 2007, amounting to a recovery of \$250,298, three claims that exceeded that limit in 2006, amounting to a recovery of \$120,794.

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED

Using these Basic Financial Statements

This annual report consists of financial statements and notes to those statements. The statements are organized so the reader can understand the Consortium's financial activities. *The Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows* provide information about the activities of the Consortium, including all short-term and long-term financial resources and obligations.

Reporting the Consortium Financial Activities

Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during the year 2008?". The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting, similar to accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statements of net assets and the statements of revenues, expenses and changes in net assets report the Consortium's net assets and changes in those assets. This change in the net assets is important because it tells the reader that, for the Consortium as a whole, the financial position of the Consortium has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The Consortium's statements of net assets and statements of revenues, expenses, and changes in net assets can be found on pages 8-9 of this report.

The statements of cash flows provide information about how the Consortium finances and meets the cash flow needs of its operations. The statements of cash flows can be found on page 10 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11 - 17 of this report.

CENTRAL OHIO HEALTH CARE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED

Required Supplementary Information

Ten years of loss development information can be found on pages 20-21 of this report.

The table below provides a summary of the Consortium's net assets at December 31, 2008, 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 4,016,867	\$ 3,900,482	\$ 4,116,662
Total Assets	<u>4,061,360</u>	<u>3,920,232</u>	<u>4,135,720</u>
<i>Liabilities</i>			
Unpaid loss and loss adjustment expenses	<u>651,453</u>	<u>745,260</u>	<u>557,685</u>
Total Liabilities	<u>665,240</u>	<u>755,205</u>	<u>602,733</u>
<i>Net Assets</i>			
Unrestricted	<u>\$ 3,360,573</u>	<u>\$ 3,165,027</u>	<u>\$ 3,532,987</u>

Net assets in 2008 increased by \$195,546 from 2007 due to revenues exceeding expenses by \$163,542, combined with interest income of \$32,004. Net assets in 2007 decreased by \$367,960 over 2006, due to expenses exceeding revenues by \$551,695, combined with interest income of \$183,735. Net assets in 2006 increased by \$396,293 over 2005, due to revenues exceeding expenses by \$210,865, combined with interest income of \$185,428.

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED

The table below reports the changes in net assets for the years 2008, 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<i>Revenues</i>			
Member contributions	\$ 5,435,062	\$ 5,095,559	\$ 6,798,463
Investment income, net	<u>32,004</u>	<u>183,735</u>	<u>185,428</u>
Total Revenues	<u>5,467,066</u>	<u>5,279,294</u>	<u>6,983,891</u>
<i>Expenses</i>			
Loss and loss adjustment expenses	4,934,682	5,308,509	6,258,673
Insurance coverages	312,420	266,459	282,780
Legal and professional fees	21,016	62,435	37,009
Other expenses	<u>3,402</u>	<u>9,851</u>	<u>9,136</u>
Total Expenses	<u>5,271,520</u>	<u>5,647,254</u>	<u>6,587,598</u>
Net Change in Net Assets	<u>\$ 195,546</u>	<u>\$ (367,960)</u>	<u>\$ 396,293</u>

Net assets were primarily affected by the increase in total revenues earned from \$5,279,294 in 2007 to \$5,467,066 in 2008 and the decrease in loss and loss adjustment expenses from \$5,308,509 for 2007 to \$4,934,682 for 2008. The increase in 2008 revenues was due to a new member joining the Plan during the 2008 year. The net assets in 2007 were affected due to the decrease in total revenue from \$6,983,891 in 2006 to \$5,279,294 in 2007. The decrease in 2007 was due to fewer members participating in the Plan. The loss and loss adjustment expenses incurred during 2008, 2007 and 2006 were \$4,934,682, \$5,308,509 and \$6,258,673, respectively. The ratio of loss and loss adjustment expenses incurred compared to the total revenues earned was 90% for 2006 and increased to 101% for 2007 and then decreased to 90% in 2008. The decrease in 2008 was primarily due to the new PPO agreement.

Investment income in 2008 was \$32,004 which represents a significant decrease from the 2007 and 2006 investment income of \$183,735 and \$185,428. The decrease was primarily due to market interest rates.

Capital Assets

The Consortium has no capital assets.

Debt Administration

The Consortium has no debt obligations.

CENTRAL OHIO HEALTH CARE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
UNAUDITED

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 members' 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.

The Consortium Board of Directors and its consulting actuary, Willis of Wisconsin, continually discuss program enhancements to the Plan and the establishment of premium 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 affecting 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 drugs 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,	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,016,867	\$ 3,900,482
Member contributions receivable	8,392	7,296
Accrued interest receivable	554	12,454
	<hr/>	<hr/>
Total Current Assets	4,025,813	3,920,232
	<hr/>	<hr/>
TOTAL ASSETS	\$ 4,025,813	\$ 3,920,232
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Unpaid loss and loss adjustment expenses - Note D	\$ 651,453	\$ 745,260
Deferred participant contributions	3,101	-
Accrued expenses	10,686	9,945
	<hr/>	<hr/>
Total Current Liabilities	665,240	755,205
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	3,360,573	3,165,027
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 4,025,813	\$ 3,920,232
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See accompanying notes to financial statements

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

	Years Ended December 31,	
	2008	2007
OPERATING REVENUES		
Member contributions	\$ 5,435,062	\$ 5,095,559
OPERATING EXPENSES		
Loss and loss adjustment expenses	4,934,682	5,308,509
Excess loss insurance premiums	312,420	266,459
Legal and professional fees	21,016	62,435
Other administrative expenses	3,402	9,851
TOTAL OPERATING EXPENSES	5,271,520	5,647,254
OPERATING INCOME (LOSS)	163,542	(551,695)
NON-OPERATING REVENUES		
Investment income, net of investment expenses of \$13,131 and \$7,961, respectively	32,004	183,735
TOTAL NON-OPERATING REVENUES	32,004	183,735
CHANGE IN NET ASSETS	195,546	(367,960)
Net Assets, beginning of year	3,165,027	3,532,987
NET ASSETS, END OF YEAR	\$ 3,360,573	\$ 3,165,027

See accompanying notes to financial statements

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

	Years Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	\$ 5,437,067	\$ 5,088,890
Cash payments for excess loss insurance premiums	(312,420)	(266,459)
Cash payments for loss and loss adjustment expenses	(5,028,488)	(5,120,932)
Cash payments for general and administrative	(23,678)	(106,611)
Net cash provided (used) by operating activities	72,481	(405,112)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	43,904	188,932
Net cash provided by investing activities	43,904	188,932
Net increase (decrease) in cash and cash equivalents	116,385	(216,180)
Cash and cash equivalents, beginning of year	3,900,482	4,116,662
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,016,867	\$ 3,900,482
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (loss)	\$ 163,542	\$ (551,695)
Adjustments to reconcile net income to net cash provided by operating activities		
(Increase) in member contributions receivable	(1,096)	(5,889)
Increase (decrease) in incurred but not reported claims	(93,807)	187,575
Increase (decrease) in deferred participant contributions	3,101	(779)
Increase (decrease) in accrued expenses	741	(34,324)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 72,481	\$ (405,112)

See accompanying notes to financial statements

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

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 is 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.

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.

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.

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

NOTE A-DESCRIPTION OF CONSORTIUM- CONTINUED

Contributions

All members are required to remit monthly contributions to the administrator, which are used to pay claims and related claim settlement expenses, to purchase excess loss insurance for the Plan and to establish and maintain sufficient loss reserves. Each member may require contributions from its employees toward the cost of any benefit program being offered, and such contributions are included in the payments from such member to the administrator. 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 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.

Administration of the Plan

The Plan has entered into an agreement with Meritain Health, Inc., an independent third party administrator ("the Administrator") 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 Administrator's fees. In addition, the Administrator 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

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.

Basis of Presentation

The basic financial statements of the Consortium have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Plan also applies Financial Accounting Standards Board (FASB) Statements and Interpretations unless those pronouncements conflict with or contradict GASB pronouncements.

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

For financial statement 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 incurred.

The Consortium distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from charges to members for insurance premiums, loss contributions, claims handling fees and administrative expenses. Operating expenses include loss and loss adjustment expenses, insurance premiums, administrative fees and professional fees. The principal no-noperating revenue of the Consortium is investment income.

Cash and Cash Equivalents

The Consortium invests all 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 \$250,000.

Receivables

All receivables are shown net of an allowance for uncollectible amounts, as applicable. Receivables are written off when deemed uncollectible. The Consortium had no uncollectible amounts at December 31, 2008 and 2007.

Unpaid Loss and Loss Adjustment Expenses

Provisions for losses and loss adjustment expenses are charged against income based upon the date the services are rendered to the covered member. These provisions represent an estimate of reported unpaid claims plus a provision for claims incurred but not reported and the administrative costs to process these claims. The liability is determined by an independent actuary, Willis of Wisconsin, and is the amount that results from applying actuarial assumptions to historical claims-cost data.

The Consortium's management believes that the estimate of the liability for unpaid losses and loss adjustment expenses is reasonable. However, the ultimate settlement of losses and the related loss adjustment expenses may vary from the estimated amounts included in the accompanying financial statements.

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Excess Loss Agreement

The Consortium uses a reinsurance agreement to reduce its exposure to large losses. This excess loss agreement allows the Consortium to recover a portion of losses incurred. The Consortium does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by the excess loss agreement.

Net Assets

Net assets are the excess of revenues over expenses during the period in which the Consortium has been in existence. If adequate provision has been made for the payment of all claims and expenses of the Consortium, the Board of Directors, at its discretion, may distribute surplus funds to members subject to certain restrictions. In lieu of distributing surplus funds, the Board may carry forward the surplus to future years.

Member Contributions

Member 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 received, 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.

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

NOTE C - FUNDS HELD BY TRUSTEE

Cash and cash equivalents held by the Trustee were \$4,016,867 at December 31, 2008 and \$3,900,482 at December 31, 2007. The carrying amounts of cash and cash equivalents and accrued interest receivable approximate fair value because of the short term maturity of those financial instruments.

NOTE D - BENEFIT OBLIGATIONS

The Plan has retained the services of two independent third party administrators, Meritain Health, Inc. for medical claims and Caremark RX, LLC for prescription claims, both experienced in claim request processing. A valid claim must be submitted to the Administrator 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 unpaid losses and loss adjustment expenses is based upon an estimate, prepared by an independent actuary, Willis of Wisconsin, for claims reported as of year end and those claims incurred but not reported to the Plan as of year end. The inherent uncertainty in estimating reserves may result in actual ultimate claims differing significantly from amounts provided for in the balance sheet.

The Consortium is contingently liable with respect to excess loss coverage which would become a liability in the event that the excess loss 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.

For measurement purposes at December 31, 2008, a 13.2% annual rate of decrease in cost of covered health care benefits was assumed, which represented a decrease from the 2007 rate of increase of 9.1%. At December 31, 2008 and 2007, the breakdown of unpaid loss and loss adjustment expenses was as follows:

	<u>2008</u>	<u>2007</u>
Medical and prescription drug	\$618,453	\$710,260
Loss adjustment expenses	<u>33,000</u>	<u>35,000</u>
	<u>\$651,453</u>	<u>\$745,260</u>

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

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 2008 and 2007, 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 \$5,290,187 in 2008 and \$6,670,318 in 2007, to a maximum of \$1 million annually per covered individual. The cost of the excess loss coverage was \$312,420 in 2008 and \$266,459 in 2007.

The Consortium has incurred losses recoverable in excess of the individual loss limit of \$175,000 in 2007 of \$250,298 and no excess losses in 2008.

NOTE F - RELATED PARTY TRANSACTION

The Consortium's Administrator for medical claims 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 Administrator received commissions of \$15,616 in 2008 and \$13,323 in 2007.

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 uninsured loss that would have resulted from that risk at December 31, 2008 and 2007, totaled \$3,766,867 and \$3,800,482, respectively.

The Consortium's members are political subdivisions generally located in central Ohio, which represents a limited number of potential Plan members. The Plan's membership has decreased from a high of thirteen members to six members as of December 31, 2008.

NOTE H - TERMINATION OF MEMBERS

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 the period subsequent to termination on its behalf or the member must pay the claims directly. All claims paid on behalf of the terminated member were reimbursed in full to the Consortium.

CENTRAL OHIO HEALTH CARE CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

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 Administrator. Any remaining assets will then be returned to the participating members.

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 year term has expired, the member forfeits all rights to the Consortium's member reserves.

NOTE J - CONTRIBUTION HOLIDAY

The Board of Directors approved a contribution holiday for the month of January 2007. All members except one elected to accept the premium holiday. The amount of this contribution holiday for January 2007 was approximately \$355,000.

NOTE K - THIRD PARTY ADMINISTRATION

The Consortium has agreements with third party administrators for the purpose of claims administration, claims adjustments, loss control and financial record keeping. For the years ended December 31, 2008 and 2007, the amounts charged to expense were \$271,488 and \$163,226, respectively.



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Ted R. Schindler, CPA, CVA
Managing Member

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INDEPENDENT AUDITOR'S REPORT ON REQUIRED SUPPLEMENTARY 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 2008 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 not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. 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, appearing to read "Schindler & Adams".

Columbus, Ohio
June 19, 2009

**SCHEDULE I--RECONCILIATION OF UNPAID LOSS AND LOSS
ADJUSTMENT EXPENSES
REQUIRED SUPPLEMENTARY INFORMATION
CENTRAL OHIO HEALTH CARE CONSORTIUM**

The Consortium established a reserve liability that includes a provision for reported and unreported insured events and an estimate of future payment of losses and loss adjustment expenses. The liability was provided by the Consortium's independent actuary, Willis of Wisconsin, for the years ended December 31, 2008 and 2007 as follows:

	(in thousands)	
	<u>2008</u>	<u>2007</u>
Unpaid loss and loss adjustment expenses at the beginning of the year	\$ 745	\$ 558
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current year	5,020	5,607
Decrease in provision for insured events of the prior year	<u>(85)</u>	<u>(299)</u>
Total incurred losses and loss adjustment expenses	4,935	5,308
Payments:		
Loss and loss adjustment expenses attributable to insured events of current year	4,368	4,862
Loss and loss adjustment expenses attributable to insured events of prior years	<u>660</u>	<u>259</u>
Total payments	<u>5,028</u>	<u>5,121</u>
Total unpaid losses and loss adjustment expenses at the end of the year	<u>\$ 652</u>	<u>\$ 745</u>

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

	Policy Year Ended (in thousands)									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Net earned required contribution and investment revenues	4,989	5,577	7,050	7,098	8,542	8,447	8,899	6,983	5,279	5,467
2. Unallocated expenses	145	196	230	335	366	299	365	329	338	336
3. Estimated incurred claims and expenses	5,020	5,609	5,431	6,875	8,043	7,208	7,447	6,561	5,607	5,247
4. Paid (cumulative) as of:										
End of policy year	4,786	5,196	4,850	6,108	7,419	6,527	7,058	6,003	4,862	4,368
One year later	5,209	5,739	5,457	6,652	8,047	7,003	7,429	6,262	5,522	
Two years later	5,206	5,732	5,460	6,656	8,047	7,003	7,429	6,262		
Three years later	5,206	5,732	5,460	6,656	8,047	7,003	7,429			
Four years later	5,206	5,732	5,460	6,656	8,047	7,003				
Five years later	5,206	5,732	5,460	6,656	8,047					
Six years later	5,206	5,732	5,460	6,656						
Seven years later	5,206	5,732	5,460							
Eight years later	5,206	5,732								
Nine years later	5,206									
5. Reestimated incurred claims and expenses										
End of policy year	5,020	5,609	5,431	6,875	8,043	7,208	7,447	6,561	5,607	5,020
One year later	5,206	5,739	5,457	6,652	8,124	7,003	7,144	6,262	5,522	
Two years later	5,206	5,732	5,460	6,656	8,047	7,003	7,144	6,262		
Three years later	5,206	5,732	5,460	6,656	8,047	7,003	7,144			
Four years later	5,206	5,732	5,460	6,656	8,047	7,003				
Five years later	5,206	5,732	5,460	6,656	8,047					
Six years later	5,206	5,732	5,460	6,656						
Seven years later	5,206	5,732	5,460							
Eight years later	5,206	5,732								
Nine years later	5,206									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	186	123	29	(219)	4	(205)	(303)	(299)	(85)	



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**Report on Internal Control Over Financial Reporting and on Compliance
And Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of the Central Ohio Health Care Consortium (“the Consortium”) as of and for the year ended December 31, 2008, which collectively comprise the Central Ohio Health Care Consortium’s basic financial statements and have issued our report thereon dated June 19, 2009. 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 audit, we considered the Central Ohio Health Care Consortium’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Ohio Health Care Consortium’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Central Ohio Health Care Consortium’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Central Ohio Health Care Consortium’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Central Ohio Health Care Consortium’s financial statements that is more than inconsequential will not be prevented or detected by the Central Ohio Health Care Consortium’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Consortium’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Ohio Health Care 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 are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Central Ohio Health Care Consortium's management, in a separate letter dated June 21, 2009.

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.



Schindler & Adams
June 19, 2009



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
AUGUST 11, 2009