

**GREATER TOMPKINS COUNTY  
MUNICIPAL HEALTH INSURANCE  
CONSORTIUM**

**Ithaca, New York**

**FINANCIAL REPORT**

**December 31, 2012 and 2011**

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Independent Auditor's Report .....	1-1a
Required Supplementary Information	
Management's Discussion and Analysis .....	2-2d
Audited Financial Statements	
Statements of Net Position .....	3
Statements of Revenues, Expenses, and Changes in Net Position .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-9
Supplementary Financial Information	
Claim Development Information .....	10

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### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Greater Tompkins County Municipal Health Insurance Consortium  
Ithaca, New York

We have audited the accompanying financial statement of the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium (Plan) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium as of December 31, 2012 and 2011, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 2d 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 who 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 supplementary 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The claim development information on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The claims development information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



May 16, 2013  
Ithaca, New York

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the financial position of the Greater Tompkins County Municipal Health Insurance Consortium (the Plan) as of December 31, 2012 and 2011, and its results of operations for the years then ended. Because the MD&A is designed to focus on current operations, it should be read in conjunction with the audited financial statements and related footnotes.

**Financial Highlights**

For the year ending December 31, 2012, the Plan's net position has increased by \$3,178,173, exclusive of additional capital contributions of \$198,400. The 2012 increase in net position is mainly attributable to an excess of revenues received over claims and administrative expenses. For the year ending December 31, 2011, the Plan's net position decreased by \$(192,192). The 2011 decrease in net assets is mainly attributable to claims and administrative expenses in excess of revenues received.

The Plan's net position consist of the following:

	2012	2011	2010
Restricted for contingency reserve	\$ 1,428,777	\$ 1,289,746	\$ 1,223,736
Unassigned net position	<u>3,197,415</u>	<u>(40,127)</u>	<u>218,075</u>
Total Net Position	<u>\$ 4,626,192</u>	<u>\$ 1,249,619</u>	<u>\$ 1,441,811</u>

A summary of operating and nonoperating revenues and expenses follows:

	2012	2011	2010
Premiums	\$ 28,575,531	\$ 25,794,917	\$ -0-
Aggregate write-ins for other revenues	105,902	167,294	-0-
Nonoperating revenues	<u>7,332</u>	<u>6,004</u>	<u>-0-</u>
Total Revenues	<u>28,688,765</u>	<u>25,968,215</u>	<u>-0-</u>
Operating expenses	<u>25,510,592</u>	<u>26,160,407</u>	<u>-0-</u>
Total Expenses	<u>25,510,592</u>	<u>26,160,407</u>	<u>-0-</u>
Increase (Decrease) in Net Position	<u>\$ 3,178,173</u>	<u>\$ (192,192)</u>	<u>\$ -0-</u>

**Financial Statement Overview**

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium have been prepared in accordance with accounting principles generally accepted in the United States of America, and related standards prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements presented include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. These statements provide information about the Plan's financial position, its results of operations and cash flows for the periods presented.

The Statements of Net Position are similar to a balance sheet, in that it includes the Plan's assets and liabilities. Unlike a balance sheet, liabilities are subtracted from total assets to present what is referred to as "net position."

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

The Statements of Net Position classifies all assets and liabilities as either current or noncurrent. Current assets are assets that will be recognized within the following twelve months. Similarly, current liabilities are those obligations that will be liquidated within the following twelve months. Over time, changes in net position may indicate strength or deterioration in the Plan's financial position.

The Statements of Revenues, Expenses and Changes in Net Position reflects all operating and nonoperating revenues and expenses for the periods presented, and reflects the increase or decrease in net position based on those revenues and expenses. Revenue is reported in this statement when it is earned, and expenses are recorded when the obligation has been incurred.

The Statements of Cash Flows provides information on major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used in operations, investing, capital, and noncapital financing activities.

**Statements of Net Position**

The Statements of Net Position represent the financial position of the Greater Tompkins County Municipal Health Insurance Consortium at December 31, 2012 and 2011. During the 2012 fiscal year, the Plan's total net position increased by \$3,178,173, exclusive of additional capital contributions of \$198,400. During the 2011 fiscal year, the Plan's total net position decreased by \$(192,192). The table below reflects, in summary, the financial position of the Plan at December 31:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 5,481,459	\$ 2,375,059	\$ 218,075
Noncurrent assets	<u>2,227,154</u>	<u>1,944,995</u>	<u>1,223,736</u>
Total Assets	<u>7,708,613</u>	<u>4,320,054</u>	<u>1,441,811</u>
Current liabilities	<u>3,082,421</u>	<u>3,070,435</u>	<u>-0-</u>
Total Liabilities	<u>3,082,421</u>	<u>3,070,435</u>	<u>-0-</u>
Net Position	<u>\$ 4,626,192</u>	<u>\$ 1,249,619</u>	<u>\$ 1,441,811</u>

The 2012 increase in current assets is primarily due to an excess of revenues over expenses and additional capital contributions. The 2011 increase in current liabilities is primarily due to incurred claims liability.

**Statements of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses, and Changes in Net Position present the results of operations of the Plan for the years ending December 31:

**Revenue Overview**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Premiums	\$ 28,575,531	\$ 25,794,917	\$ -0-
Aggregate write-ins for other revenues	105,902	167,294	-0-
Interest earnings	<u>7,332</u>	<u>6,004</u>	<u>-0-</u>
Total Revenues	<u>\$ 28,688,765</u>	<u>\$ 25,968,215</u>	<u>\$ -0-</u>

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

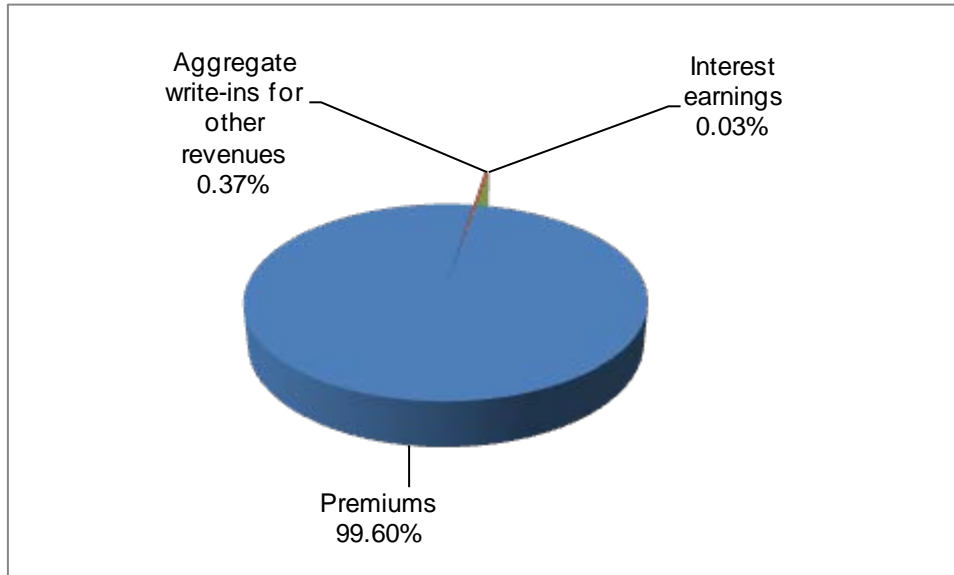
**Expense Overview**

The following table summarizes expenses by function for the years ending December 31:

	2012	2011	2010
Claims expense	\$ 24,799,035	\$ 25,136,185	\$ -0-
Administrative fees	928,502	841,543	-0-
Other expenses	373,096	353,292	-0-
Reinsurance expenses, net of recoveries	<u>(590,041)</u>	<u>(170,613)</u>	<u>-0-</u>
 Total Expenses	 <u>25,510,592</u>	 <u>26,160,407</u>	 <u>-0-</u>
 Change in Net Position	 <u>\$ 3,178,173</u>	 <u>\$ (192,192)</u>	 <u>\$ -0-</u>

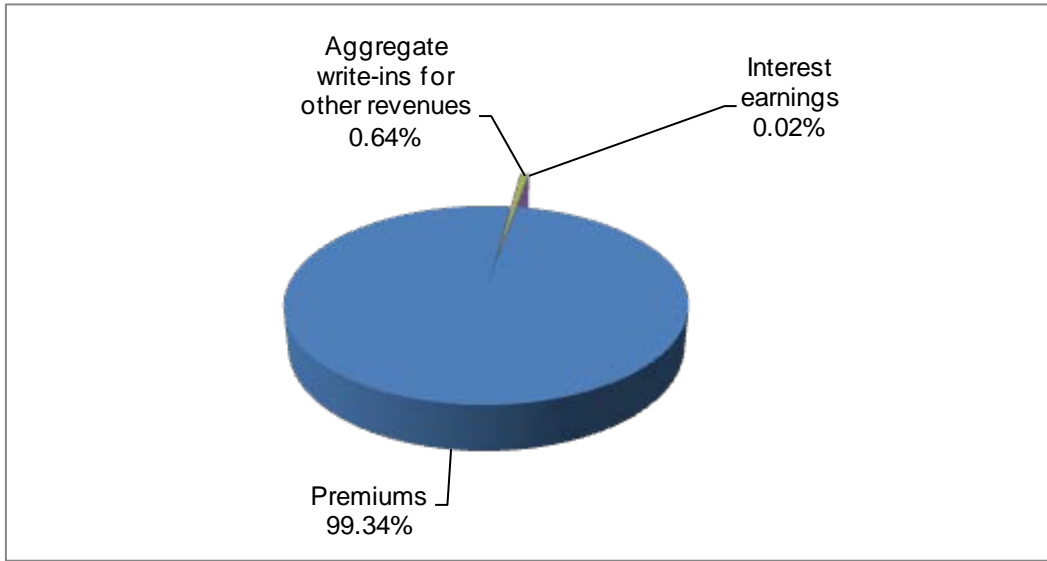
The following are graphic illustrations of revenues by source:

**Sources of Revenue for 2012**



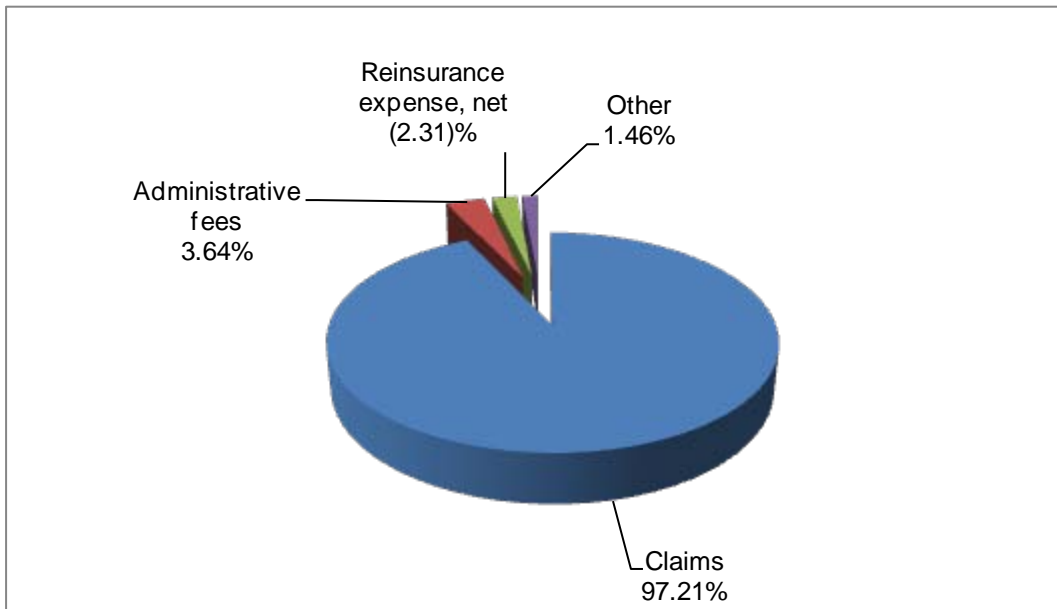
GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**Sources of Revenue for 2011**



The following are graphic illustrations of operating expenses by source:

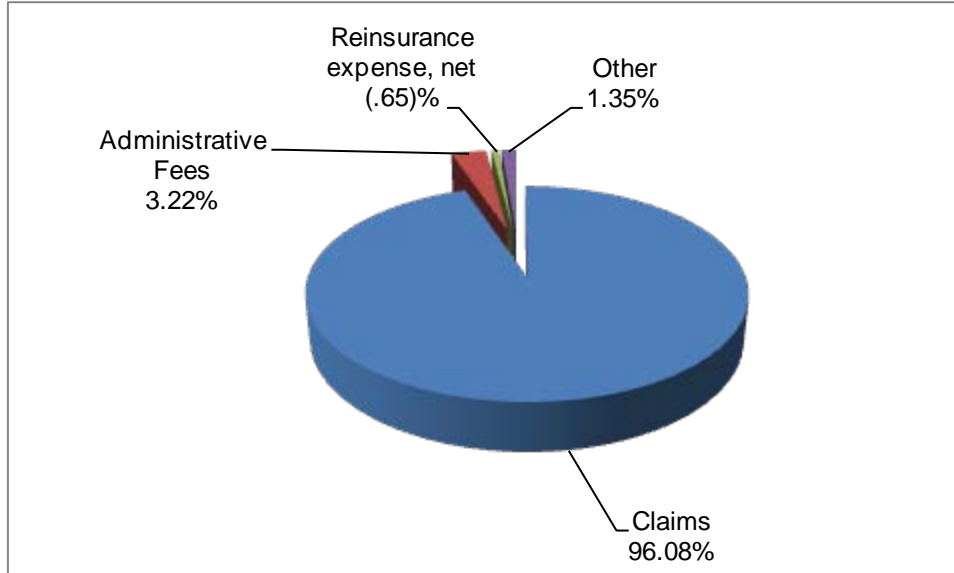
**Operating Expenses  
2012**





GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**Operating Expenses  
2011**



***Economic Factors Affecting the Future***

- ❖ During 2012, several claims exceeded the specific \$275,000 Stop Loss Attachment point. Reimbursement from such claims is likely to trigger substantial future additional premium adjustments as well as raising the stop loss coverage attachment point.
- ❖ The Consortium added two new participating municipalities, City of Cortland and Town of Lansing, on January 1, 2013. The new members will add 240 contracts to the pool and provide a cushion in maintaining the required 2,000 covered lives threshold under Article 47 of NYS Insurance Law.
- ❖ Evolving requirements imposed by the Patient Protection and Affordable Care Act are projected to continue pressure on premiums. It is noted that, commencing in 2014, there will be a \$5 per contract, per month, assessment imposed to finance certain provisions of the new law.

***Contacting the Plan's Financial Management***

This financial report is designed to provide the Plan's member municipalities, Plan participants, and other stakeholders with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Greater Tompkins County Municipal Health Insurance Consortium, at 125 East Court Street, Ithaca, New York, 14850.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
 STATEMENTS OF NET POSITION  
DECEMBER 31,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,273,608	\$ 2,018,827
Total cash and cash equivalents	<u>4,273,608</u>	<u>2,018,827</u>
Accounts receivable - stop loss and drug rebates	1,207,851	322,977
Prepaid insurance	<u>-0-</u>	<u>33,255</u>
Total current assets	<u>5,481,459</u>	<u>2,375,059</u>
<b>OTHER ASSETS</b>		
Noncurrent Assets:		
Premium claims deposit	798,600	718,000
Restricted cash and cash equivalents	<u>1,428,554</u>	<u>1,226,995</u>
Total other assets	<u>2,227,154</u>	<u>1,944,995</u>
 Total Assets	 <u>7,708,613</u>	 <u>4,320,054</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Incurred claims liability		
Incurred liability	2,690,669	2,613,082
Claims payable	<u>391,752</u>	<u>430,300</u>
Total incurred claims liability	<u>3,082,421</u>	<u>3,043,382</u>
Accounts payable	-0-	407
Deferred revenue	<u>-0-</u>	<u>26,646</u>
Total current liabilities	<u>3,082,421</u>	<u>3,070,435</u>
 Total Liabilities	 <u>3,082,421</u>	 <u>3,070,435</u>
<b>NET POSITION</b>		
Restricted for contingency reserve - Section 4706(a)(5)	1,428,777	1,289,746
Unassigned net position	<u>3,197,415</u>	<u>(40,127)</u>
 Total Net Position	 <u>\$ 4,626,192</u>	 <u>\$ 1,249,619</u>

See Independent Auditor's Report and Notes to Financial Statements

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Premiums	\$ 28,575,531	\$ 25,794,917
Aggregate write-ins for other revenues	<u>105,902</u>	<u>167,294</u>
Total Operating Revenues	<u>28,681,433</u>	<u>25,962,211</u>
Operating Expenses:		
Claims expense	24,799,035	25,136,185
Reinsurance expenses, net of recoveries	(590,041)	(170,613)
Administrative fees	928,502	841,543
Aggregate write-ins for other expenses	<u>373,096</u>	<u>353,292</u>
Total Operating Expenses	<u>25,510,592</u>	<u>26,160,407</u>
Excess (Deficit) of Operating Revenues (Expenses) Before Nonoperating Revenues	3,170,841	(198,196)
Nonoperating Revenues:		
Interest earnings	<u>7,332</u>	<u>6,004</u>
Total Nonoperating Revenues	<u>7,332</u>	<u>6,004</u>
Change in Net Position	3,178,173	(192,192)
Net Position, January 1,	1,249,619	1,441,811
Additional contributed capital	<u>198,400</u>	<u>-0-</u>
Net Position, December 31,	<u>\$ 4,626,192</u>	<u>\$ 1,249,619</u>

See Independent Auditor's Report and Notes to Financial Statements

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
 STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Premiums collected from municipal corporations	\$ 28,548,885	\$ 25,818,006
Rebates and reimbursements	204,947	309,362
Aggregate write-ins for other revenues	743	119,752
Premium claims deposit	(80,600)	(718,000)
Claims paid	(24,759,996)	(22,092,803)
Operating expenses paid	<u>(1,663,371)</u>	<u>(1,638,310)</u>
Net Cash Provided by Operating Activities	<u>2,250,608</u>	<u>1,798,007</u>
Net Cash from Noncapital Financing Activities	<u>-0-</u>	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:		
Restricted cash and cash equivalents increase	(201,559)	(1,226,995)
Contributed capital	<u>198,400</u>	<u>-0-</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,159)</u>	<u>(1,226,995)</u>
Cash Flows from Investing Activities:		
Interest earnings	<u>7,332</u>	<u>6,004</u>
Net Cash Provided by Investing Activities	<u>7,332</u>	<u>6,004</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,254,781	577,016
Cash and Cash Equivalents, January 1,	<u>2,018,827</u>	<u>1,441,811</u>
Cash and Cash Equivalents, December 31,	<u>\$ 4,273,608</u>	<u>\$ 2,018,827</u>
Reconciliation of excess (deficit) operating revenues over operating (expenses) to net cash provided by operating activities:		
Excess (deficit) operating revenues over operating (expenses)	\$ 3,170,841	\$ (198,196)
(Increase) in accounts receivables	(884,874)	(322,977)
Decrease (increase) in prepaid expenses	33,255	(33,255)
(Increase) in premium claims deposit	(80,600)	(718,000)
(Decrease) increase in accounts payable	(407)	407
(Decrease) increase in claims payable	(38,548)	430,300
(Decrease) increase in deferred revenue	(26,646)	26,646
Increase in incurred claims liability	<u>77,587</u>	<u>2,613,082</u>
Net Cash Provided by Operating Activities	<u>\$ 2,250,608</u>	<u>\$ 1,798,007</u>

See Independent Auditor's Report and Notes to Financial Statements

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units engaged only in Business-type Activities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Description of the Plan

The Greater Tompkins County Municipal Health Insurance Consortium (Plan) was organized in 2010 as an Article 5-G General Municipal Law (GML) municipal corporation to provide health insurance benefits for its member municipalities. In accordance with 119-N of the GML, the term "Municipal Corporation" includes a county, city, town and village. The Plan's general objectives are to formulate, develop, and administer, on behalf of the member participants, an adequate program of insurance in a cost effective manner. Municipalities joining the Plan must remain members for a minimum of three years; a participant may withdraw with written notice prior to October 3<sup>rd</sup> of each Plan year. Municipalities applying for membership in the Plan may do so with two-thirds approval of the Board. Plan underwriting and rate setting policies have been established after consultation with third party administration. Plan members are subject to supplemental assessment in the event of deficiencies. Premium assessments are determined annually, and should the assets of the Plan be exhausted, members would be responsible for the Plan's liabilities. Plan members currently include 13 municipalities, with two new municipalities joining the Consortium as of January 1, 2013.

B. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

- **Accrual Basis:** Activities of the Plan are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Unpaid Claims Liabilities

The Plan establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are periodically recomputed to produce current estimates that reflect recent settlements and other factors, and are adjusted annually to approximate 12% of claim expenditures. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

E. Reinsurance

The Plan uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the primary liability of the Plan as direct insurer of the risks reinsured. The Plan does not report reinsured risks as liabilities unless it is probable those risks will not be covered by the reinsurer.

F. Net Position

Contributed Capital: Initial capitalization of the Plan, expected to be repaid in five years, subject to funds availability and approval by the Department of Financial Services. The initial capitalization by participating municipalities of \$1,422,136 has not been formally restricted as of December 31, 2012. No repayments have been made as of December 31, 2012.

Restricted for Contingency Reserve: A contingency reserve of 5% of current year premiums was established in accordance with New York State Insurance Law, Section 4706 (a)(5).

Unassigned: If a surplus of assessments exists after the close of the Plan year, after provision for payment of all known unsettled claims, and after receipt of an annual independent financial audit, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to, or included in, such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. The net position represent an appropriation of this excess for this purpose. Any deficit net position balance will need to be recovered from future premium adjustments.

G. Related Parties

The Plan is currently made up of 13 participating municipal corporations, with two new participating municipalities joining the Consortium as of January 1, 2013. Representatives of each participating municipal corporation serve on the Board and premiums are collected from the municipal corporations.

H. Concentration of Credit Risk

The Plan maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012 and 2011, the Plan's uninsured cash balances totaled \$-0- and \$2,778,617, respectively.

I. Concentration of Operating Revenues

The Plan received approximately 99% and 99% of its operating revenues from premiums collected for the years ended December 31, 2012 and 2011, respectively.

J. Cash Equivalents

For financial statement purposes, the Plan considers all highly liquid investments of three months or less as cash equivalents.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

K. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

Note 2 - Assets

A. Cash and Investments

The Plan's investment policies are governed by State statutes. Plan monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Chief Fiscal Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, obligations of New York State or its localities, and repurchase agreements.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and BOCES.

Deposits are valued at cost. Total financial institution (bank) balances at December 31, 2012 and 2011, were \$5,702,245 and \$3,278,617, respectively. Carrying values at December 31, 2012 and 2011 were \$5,702,162 and \$2,018,827, respectively. These deposits were fully insured and/or collateralized at December 31, 2012.

Note 3 - Rebates and Reimbursements

Reinsurance expense is shown net of reimbursements and rebates. Gross amounts and rebates are as follows at December 31,:

	<u>2012</u>	<u>2011</u>
Reinsurance expense	\$ 394,621	\$ 410,627
Reimbursements and rebates	<u>(984,662)</u>	<u>(581,240)</u>
Reinsurance Expense, Net	<u>\$ (590,041)</u>	<u>\$ (170,613)</u>

Note 4 - Restricted for Contingency Reserve and Restricted Cash

A contingency reserve of five percent of current year premiums was established in accordance with New York State Insurance Law, Section 4706 (a)(5). The reserve is established as follows:

	<u>2012</u>	<u>2011</u>
Contributed capital	\$ 1,422,136	\$ 1,223,736
Additional contingency reserve	<u>6,641</u>	<u>66,010</u>
Total Contingency Reserve	<u>\$ 1,428,777</u>	<u>\$ 1,289,746</u>

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 5 - Contingencies

A. Claims Liability

The BlueCross/BlueShield premiums include claims paid for the years ended December 31, 2012 and 2011, and an adjustment to account for the BlueCross/BlueShield financing arrangement of billing the actual claims paid two months in arrears. This two month delay requires the Greater Tompkins County Municipal Health Insurance Consortium to fund approximated costs, as actual claim payments are charged two months later. No significant differences have been experienced or are expected between monthly adjusted premium billings and actual monthly settlements in succeeding billings.

In addition, the financial arrangements required by BlueCross/BlueShield stipulate the Consortium may be required to provide security in an initial principal amount of \$2,387,600 at December 31, 2012 and 2011. This provision was not required in 2012 or 2011.

The Consortium also maintains specific stop-loss insurance coverage. This provides a maximum of \$1,000,000 of coverage inclusive of deductibles for individual claims and specific stop-loss insurance coverage at December 31, 2012 and 2011.

Note 6 - Liabilities - Unpaid Claims

As discussed in Note 1-D, the Plan establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities:

	<u>2012</u>	<u>2011</u>
Liability for unpaid claims - Beginning of year	\$ 3,043,382	\$ -0-
Incurred claims and claim adjustment:		
Claims expense	24,799,035	25,136,185
Claims paid	<u>(24,759,996)</u>	<u>(22,092,803)</u>
Liability for Unpaid Claims - End of Year	<u>\$ 3,082,421</u>	<u>\$ 3,043,382</u>

Note 7 - Deficit Net Position - 2011

The Plan had a deficit unrestricted net position of \$(40,127) for the year ended December 31, 2011 but overall net position of \$1,249,619. The unrestricted deficit was eliminated at December 31, 2012.

Note 8 - Subsequent Events

The Consortium added two new participating municipalities; the City of Cortland and Town of Lansing on January 1, 2013. The new members will add 240 contracts to the pool and provide a cushion in maintaining the required 2,000 covered lives threshold under Article 47 of NYS Insurance Law.



GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
CLAIM DEVELOPMENT INFORMATION  
DECEMBER 31,

	2012	2011
1. Net earned required contribution revenues	\$ 28,575,531	\$ 25,794,917
2. Unallocated expenses - N/A	-0-	-0-
3. Estimated incurred claims and expense, end of year	24,799,035	25,136,185
4. Paid (Cumulative) as of:		
End of policy year	(24,759,996)	(22,092,803)
5. Reestimated incurred claims and expense:		
End of policy year	24,799,035	24,800,072
6. Change in estimated incurred claims expense:	-0-	(336,113)

See Independent Auditor's Report