

**GREATER TOMPKINS COUNTY
MUNICIPAL HEALTH INSURANCE
CONSORTIUM**

Ithaca, New York

FINANCIAL REPORT

December 31, 2011

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
FOR THE YEAR ENDED DECEMBER 31, 2011**

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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 year ended December 31, 2011, which collectively comprise the Plan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plan'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. Those standards require that we plan and perform the audits 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 audit provides 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 the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium, as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 2c 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's financial statements as a whole. The supplementary financial information on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

September 28, 2012
Ithaca, New York

**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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, 2011, and its results of operations for the year 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, 2011, the Plan's net assets have 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 assets consist of the following:

	2011	2010
Restricted for Contingency Reserve:		
Contributed capital	\$ 1,223,736	\$ 1,223,736
Additional contingency reserve	66,010	-0-
Total Restricted for contingency reserve	<u>1,289,746</u>	<u>1,223,736</u>
Unassigned (deficit) net assets	<u>(40,127)</u>	<u>218,075</u>
Total Net Assets	<u>\$ 1,249,619</u>	<u>\$ 1,441,811</u>

A summary of operating and nonoperating revenues and expenses are as follows:

	2011	2010
Premiums	\$ 25,794,917	\$ -0-
Rebates and reimbursements	628,782	-0-
Aggregate write-ins for other revenues	119,752	-0-
Nonoperating revenues	6,004	-0-
Total Revenues	<u>26,549,455</u>	<u>-0-</u>
Operating expenses	<u>26,741,647</u>	<u>-0-</u>
Total Expenses	<u>26,741,647</u>	<u>-0-</u>
(Decrease) in Net Assets	<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 Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement 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 Statement of Net Assets is 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 assets."

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

The Statement of Net Assets 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 assets may indicate strength or deterioration in the Plan's financial position.

The Statement of Revenues, Expenses and Changes in Net Assets reflects all operating and nonoperating revenues and expenses for the periods presented, and reflects the increase or decrease in net assets 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 Statement 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.

Statement of Net Assets

The Statements of Net Assets represent the financial position of the Greater Tompkins County Municipal Health Insurance Consortium at December 31, 2011 and 2010. During the 2011 fiscal year, the Plan's total net assets decreased by \$(192,192). The table below reflects, in summary, the financial position of the Plan at December 31:

	2011	2010
Current assets	\$ 4,320,054	\$ 1,441,811
Noncurrent assets	-0-	-0-
Total Assets	<u>4,320,054</u>	<u>1,441,811</u>
Current liabilities	<u>3,070,435</u>	-0-
Total Liabilities	<u>3,070,435</u>	<u>-0-</u>
Net Assets	<u>\$ 1,249,619</u>	<u>\$ 1,441,811</u>

The increase in current liabilities is primarily due to incurred claims liability at December 31, 2011.

Statement of Revenues, Expenses and Changes in Net Assets

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

Revenue Overview

	2011	2010
Premiums	\$ 25,794,917	\$ -0-
Rebates and reimbursements	628,782	-0-
Aggregate write-ins for other revenues	119,752	-0-
Interest earnings	<u>6,004</u>	<u>-0-</u>
Total Revenues	<u>\$ 26,549,455</u>	<u>\$ -0-</u>

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

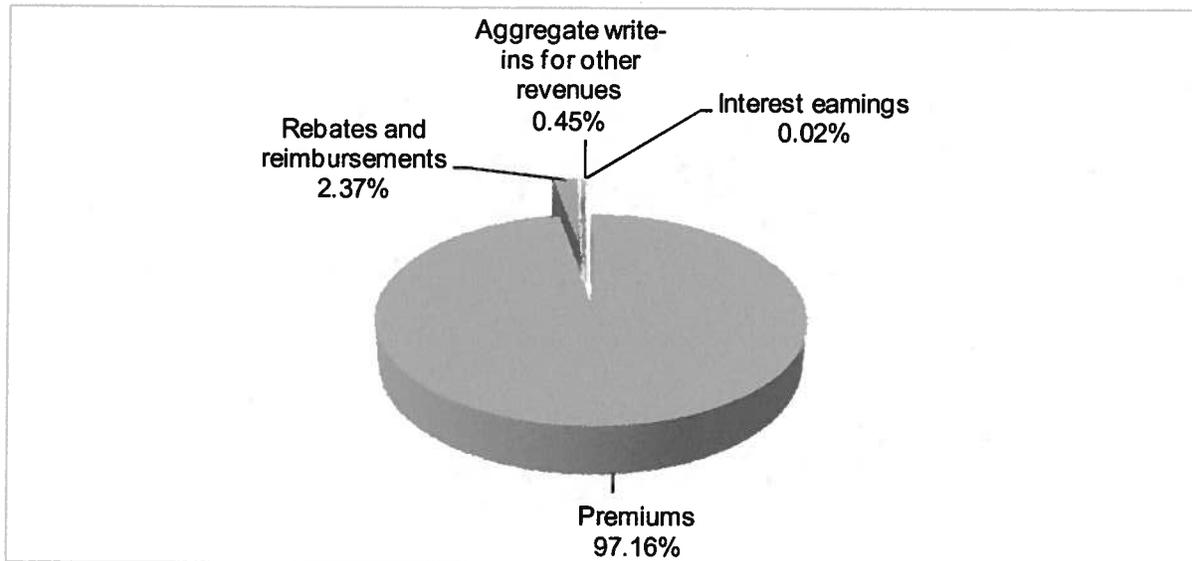
Expense Overview

The following table summarizes expenses by function for 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Claims paid	\$ 25,136,185	\$ -0-
Administrative fees	841,543	-0-
Other expenses	353,292	-0-
Stop-loss premium	410,627	-0-
Total Expenses	26,741,647	-0-
Change in Net Assets	\$ (192,192)	\$ -0-

The following are graphic illustrations of revenues by source:

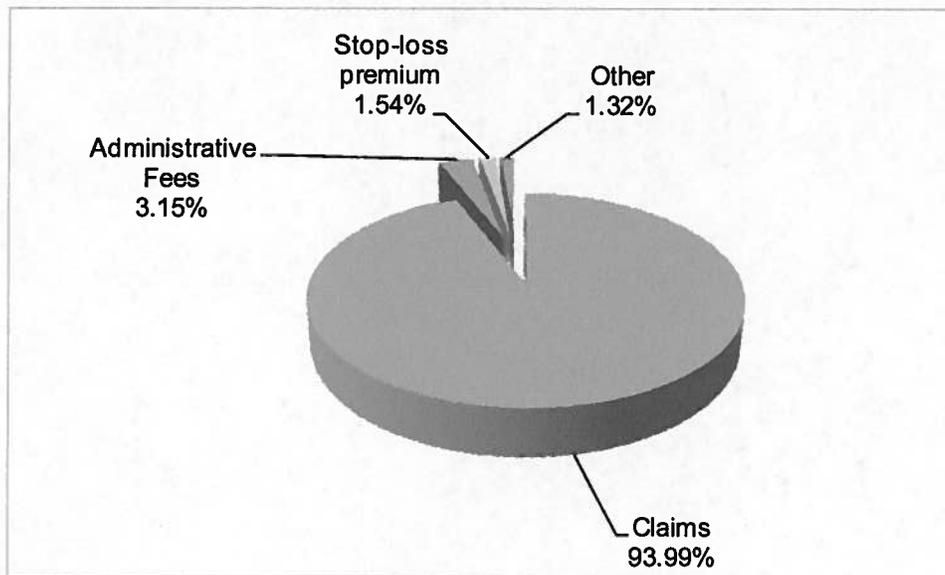
Sources of Revenue for 2011



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

The following are graphic illustrations of operating expenses by source:

**Operating Expenses
2011**



Economic Factors Affecting the Future

- ❖ The Greater Tompkins Municipal Health Insurance Consortium became the first governmental plan licensed by New York State under Article 47 of the Insurance Law. The initial year of operation proved to be a learning experience for all participants. There were vigorous discussions and negotiations as to the appropriate capitalization for this new governmental program. There were many financial reporting issues that required clarification.
- ❖ The first year of operation tempered expectations as to immediate cost savings for participants. It became apparent that it would take several years of operations to achieve sufficient reserves and liquidity to insure stability. Participant premiums for 2012 were increased by 9.5%, and preliminary estimates for 2013 indicate that a similar increase in premium will be required.
- ❖ The requirement imposed by the Patient Protection and Affordable Care Act to cover dependent children to age 26, regardless of status, will increase costs to the extent that claims will be payable for a population who were previously ineligible. In addition, going forward, the requirements to cover some services (not all of which have been identified) without applying plan deductibles or coinsurance will also impact plan costs. Finally, the eventual elimination of annual policy limits will require more expansive stop loss coverage to protect against unlimited exposure to catastrophic claims.

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
STATEMENT OF NET ASSETS
DECEMBER 31,

	2011
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,245,822
Total cash and cash equivalents	3,245,822
Accounts receivable - stop loss and drug rebates	322,977
Prepaid insurance	33,255
Premium claims deposit	718,000
Total current assets	4,320,054
Total Assets	4,320,054
LIABILITIES	
Current Liabilities:	
Incurred claims liability	
Incurred liability	2,613,082
Claims payable	430,300
	3,043,382
Accounts payable	407
Deferred revenue	26,646
Total current liabilities	3,070,435
Total Liabilities	3,070,435
NET ASSETS	
Restricted for contingency reserve - Section 4706(a)(5):	
Contributed capital	1,223,736
Additional requirement	66,010
	1,289,746
Unassigned (deficit)	(40,127)
Total Net Assets	\$ 1,249,619

See Independent Auditor's Report and Notes to Financial Statements

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31.

	2011
Operating Revenues:	
Premiums	\$ 25,794,917
Rebates and reimbursements	628,782
Aggregate write-ins for other revenues	119,752
Total Operating Revenues	26,543,451
Operating Expenses:	
Claims paid	25,136,185
Administrative fees	841,543
Aggregate write-ins for other expenses	353,292
Annual stop-loss aggregate premium	410,627
Total Operating Expenses	26,741,647
(Deficit) of Operating Revenues (Expenses) Before Nonoperating Revenues (Expenses)	(198,196)
Nonoperating Revenues:	
Interest earnings	6,004
Total Nonoperating Revenues	6,004
Change in Net Assets	(192,192)
Net Assets, January 1,	1,441,811
Net Assets, December 31,	\$ 1,249,619

See Independent Auditor's Report and Notes to Financial Statements

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

	2011
Cash Flows from Operating Activities:	
Premiums collected from municipal corporations	\$ 25,818,006
Rebates and reimbursements	309,362
Aggregate write-ins for other revenues	119,752
Premium claims deposit	(718,000)
Claims paid	(22,092,803)
Operating expenses paid	<u>(1,638,310)</u>
Net Cash Provided by Operating Activities	<u>1,798,007</u>
Net Cash from by Noncapital Financing Activities	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities	<u>-0-</u>
Cash Flows from Investing Activities:	
Interest earnings	<u>6,004</u>
Net Cash Provided by Investing Activities	<u>6,004</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,804,011
Cash and Cash Equivalents, January 1,	<u>1,441,811</u>
Cash and Cash Equivalents, December 31,	<u><u>\$ 3,245,822</u></u>
Reconciliation of (deficit) operating revenues over operating (expenses) to net cash provided by operating activities:	
(Deficit) operating revenues over operating (expenses)	\$ (198,196)
(Increase) in accounts receivable	(322,977)
(Increase) in prepaid expenses	(33,255)
(Increase) in premium claims deposit	(718,000)
Increase in accounts payable	407
Increase in claims payable	430,300
Increase in deferred revenue	26,646
Increase in incurred claims liability	<u>2,613,082</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,798,007</u></u>

See Independent Auditor's Report and Notes to Financial Statements

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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" to include 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 3rd 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.

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 annual 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 YEAR ENDED DECEMBER 31, 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 that those risks will not be covered by the reinsurer.

F. Net Assets

Contributed Capital: Initial capitalization of the Plan, expected to be repaid in five years, subject to funds availability.

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

Unrestricted: 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 assets represent an appropriation of this excess for this purpose. Any deficit net asset balance will need to be recovered from future premium adjustments.

G. Related Parties

The Plan is currently made up of thirteen municipal corporations. 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, 2011, the Plan's uninsured cash balances total \$2,778,617.

I. Concentration of Operating Revenues

The Plan received approximately 97% of its operating revenues from premiums collected.

J. Cash Equivalents

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

K. Subsequent Events

Subsequent events were evaluated through August 6, 2012, which is the date the financial statements were available to be issued. No events were identified which require disclosure or recognition in the financial statements as of December 31, 2011.

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

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, 2011, were \$3,278,617. Carrying values at December 31, 2011 were \$3,245,822. These deposits were not fully insured and/or collateralized.

Note 3 - Contingencies**A. Claims Liability**

The BlueCross/BlueShield premiums include claims paid for the year ended December 31, 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 that the Consortium may be required to provide security in an initial principal amount of \$2,387,600 at December 31, 2011. This provision was not required in 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, 2011.

Note 4 - 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>2011</u>
Liability for unpaid claims - Beginning of year	\$ -0-
Incurred claims and claim adjustment:	
Claims expense	25,136,185
Claims paid	<u>(22,092,803)</u>
Liability for Unpaid Claims - End of Year	<u>\$ 3,043,382</u>

Note 5 - Deficit Net Assets

The Plan had deficit unrestricted net assets of \$(40,127) for the year ended December 31, 2011 but overall net assets of \$1,249,619. It is anticipated the unrestricted deficit will be eliminated over time by increasing premiums as well as adopting Plan amendments to contain future benefit payments.

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

	<u>2011</u>
1. Net earned required contribution revenues	\$ 25,794,917
2. Unallocated expenses - N/A	-0-
3. Estimated incurred claims and expense, end of year	25,136,185
4. Paid (Cumulative) as of: End of policy year	22,092,803
5. Reestimated incurred claims and expense: End of policy year	25,136,185
6. Change in estimated, incurred claims and expense:	-0-

See Independent Auditor's Report