

**GREATER TOMPKINS COUNTY
MUNICIPAL HEALTH INSURANCE
CONSORTIUM**

Ithaca, New York

FINANCIAL REPORT

December 31, 2014 and 2013

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



Ciaschi • Dietershagen • Little • Mickelson & Company, LLP

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Greater Tompkins County Municipal Health Insurance Consortium (Plan) as of and for the years ended December 31, 2014 and 2013, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan'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 Plan'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 opinions.

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CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

2 North Franklin Street, Suite 330
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Opinions

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, 2014 and 2013, and the respective changes in its financial 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 3 through 3f 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 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The claim 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.



April 20, 2015
Ithaca, New York

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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, 2014, the Plan's net position has increased by \$3,851,816. For the year ending December 31, 2013, the Plan's net position increased by \$3,844,827, exclusive of returned capital contributions of \$(1,422,136). For the year ending December 31, 2012, the Plan's net position increased by \$3,178,173, exclusive of additional capital contributions of \$198,400. The increases in net position are mainly attributable to an excess of revenues received over claims and administrative expenses.

The Plan's net position consists of the following:

	2014	2013	2012
Restricted for contingency reserve	\$ 1,803,165	\$ 1,725,384	\$ 1,428,777
Catastrophic claims reserve	606,898	600,000	-0-
Adjustment for incurred but not reported claims	(1,039,180)	(824,545)	-0-
Unassigned net position	<u>9,529,816</u>	<u>5,548,044</u>	<u>3,197,415</u>
Total Net Position	\$ <u>10,900,699</u>	\$ <u>7,048,883</u>	\$ <u>4,626,192</u>

A summary of operating and nonoperating revenues and expenses follows:

	2014	2013	2012
Premiums	\$ 36,063,291	\$ 34,507,670	\$ 28,575,531
Aggregate write-ins for other revenues	134,659	146,563	105,902
Nonoperating revenues - interest	12,641	9,871	7,332
Total Revenues	<u>36,210,591</u>	<u>34,664,104</u>	<u>28,688,765</u>
Operating expenses	32,144,140	29,875,306	25,510,592
Nonoperating expenses - interest	-0-	119,426	-0-
Total Expenses	<u>32,144,140</u>	<u>29,994,732</u>	<u>25,510,592</u>
Capital (returned) contributed	-0-	(1,422,136)	198,400
Adjustment for incurred but not reported claims	<u>(214,635)</u>	<u>(824,545)</u>	<u>-0-</u>
Increase in Net Position	\$ <u>3,851,816</u>	\$ <u>2,422,691</u>	\$ <u>3,376,573</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).

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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 they include 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."

The Statements of Net Position classify 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 reflect all operating and nonoperating revenues and expenses for the periods presented, and 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 provide 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, 2014 and 2013. During the 2014 fiscal year, the Plan's total net position increased by \$3,851,816. During the 2013 fiscal year, the Plan's total net position increased by \$2,422,691, net of the repayment of the initial capitalization by participating municipalities of \$(1,422,136). During the 2012 fiscal year, the Plan's total net position increased by \$3,376,573, including contributed capital of \$198,400. The table below reflects, in summary, the financial position of the Plan at December 31:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 8,535,686	\$ 4,279,765	\$ 5,481,459
Noncurrent assets	<u>6,907,318</u>	<u>6,855,289</u>	<u>2,227,154</u>
Total Assets	<u>15,443,004</u>	<u>11,135,054</u>	<u>7,708,613</u>
Current liabilities	<u>4,542,305</u>	<u>4,086,171</u>	<u>3,082,421</u>
Total Liabilities	<u>4,542,305</u>	<u>4,086,171</u>	<u>3,082,421</u>
Net Position	<u>\$ 10,900,699</u>	<u>\$ 7,048,883</u>	<u>\$ 4,626,192</u>

The 2014 increase in current assets is mainly due to an excess of revenues over expenses. The 2013 decrease in current assets is primarily due to an excess of revenues over expenses, less return of contributed capital, creation of a catastrophic claims reserve and additional Section 4706(a)(5) requirements. The 2013 increase in noncurrent assets is mostly due to the creation of a catastrophic claims reserve, a reserve for incurred but not reported claims and additional Section 4706(a)(5) requirements. The 2012 increase in current assets is primarily due to an excess of revenues over expenses and additional capital contributions. Current liabilities increases are mainly due to additional Section 4706(a)(5) requirements and increased unearned revenue.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

	2014	2013	2012
Premiums	\$ 36,063,291	\$ 34,507,670	\$ 28,575,531
Aggregate write-ins for other revenues	134,659	146,563	105,902
Interest earnings	<u>12,641</u>	<u>9,871</u>	<u>7,332</u>
Total Revenues	<u>\$ 36,210,591</u>	<u>\$ 34,664,104</u>	<u>\$ 28,688,765</u>

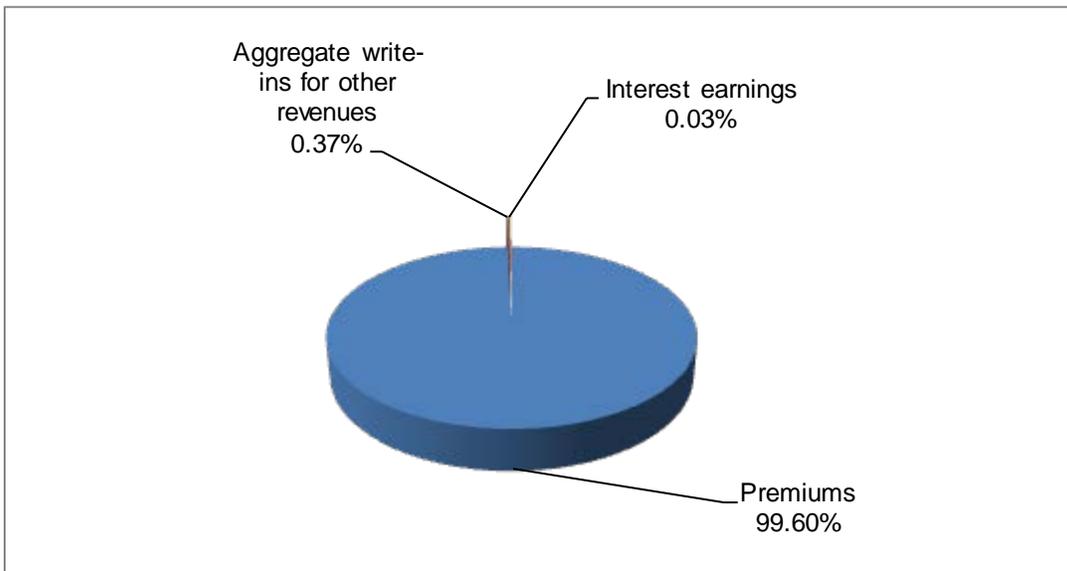
Expense Overview

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

	2014	2013	2012
Claims expense	\$ 29,755,490	\$ 28,013,757	\$ 24,799,035
Administrative fees	988,796	939,946	928,502
Other expenses	562,919	610,890	373,096
Reinsurance expenses, net of recoveries	<u>836,935</u>	<u>310,713</u>	<u>(590,041)</u>
Total Expenses	<u>\$ 32,144,140</u>	<u>\$ 29,875,306</u>	<u>\$ 25,510,592</u>

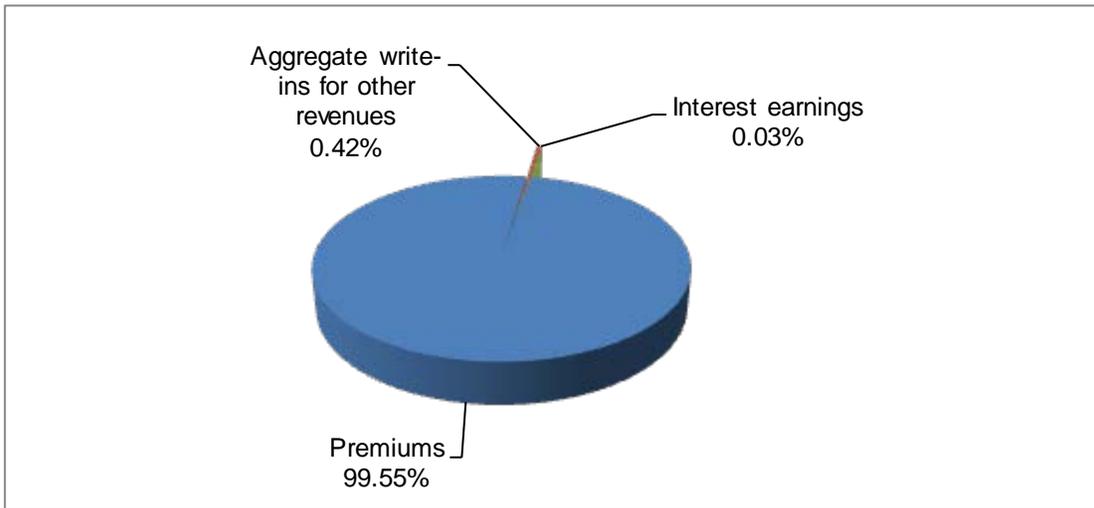
The following are graphic illustrations of revenues by source:

Sources of Revenue for 2014

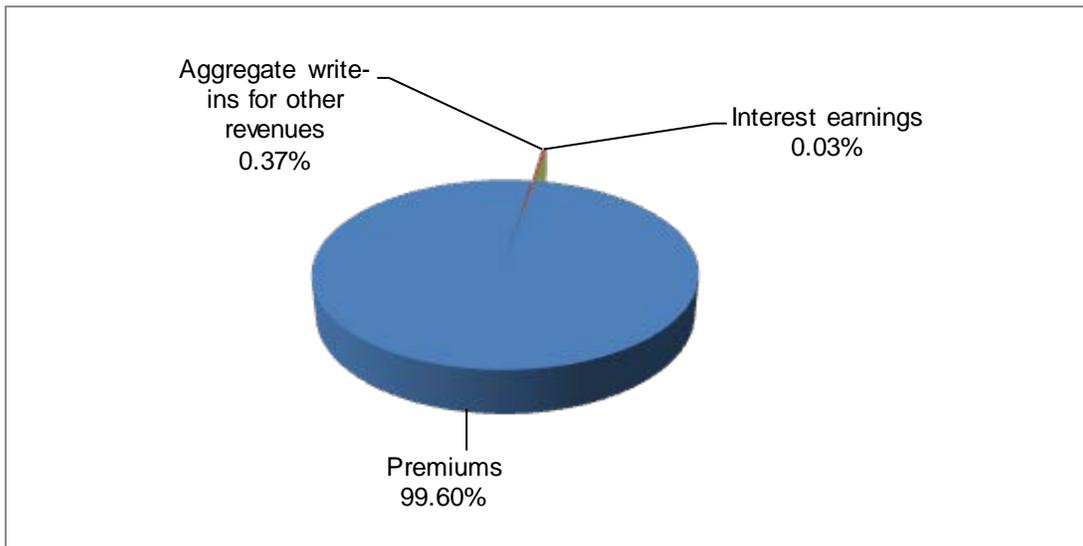


GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Sources of Revenue for 2013



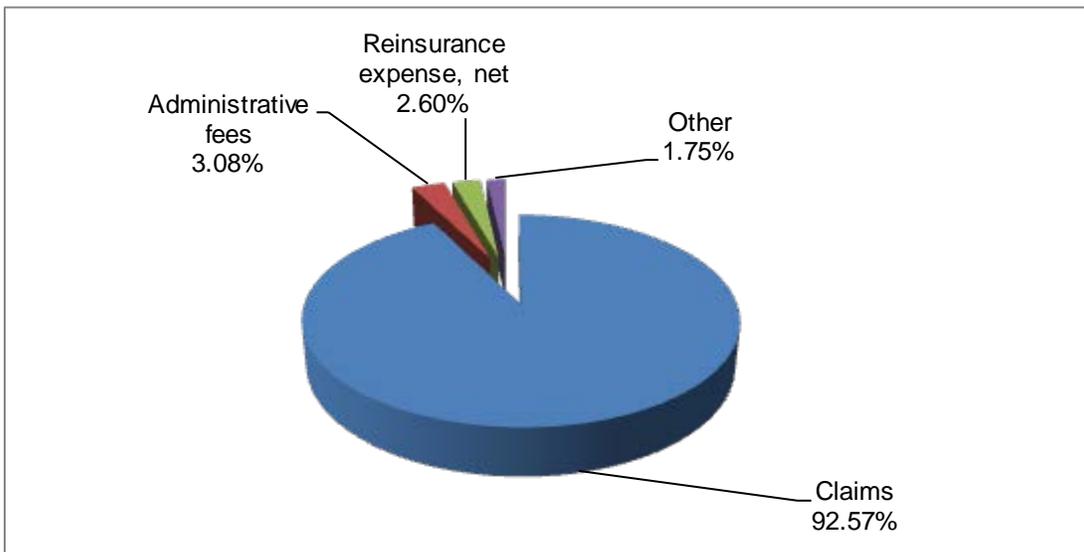
Sources of Revenue for 2012



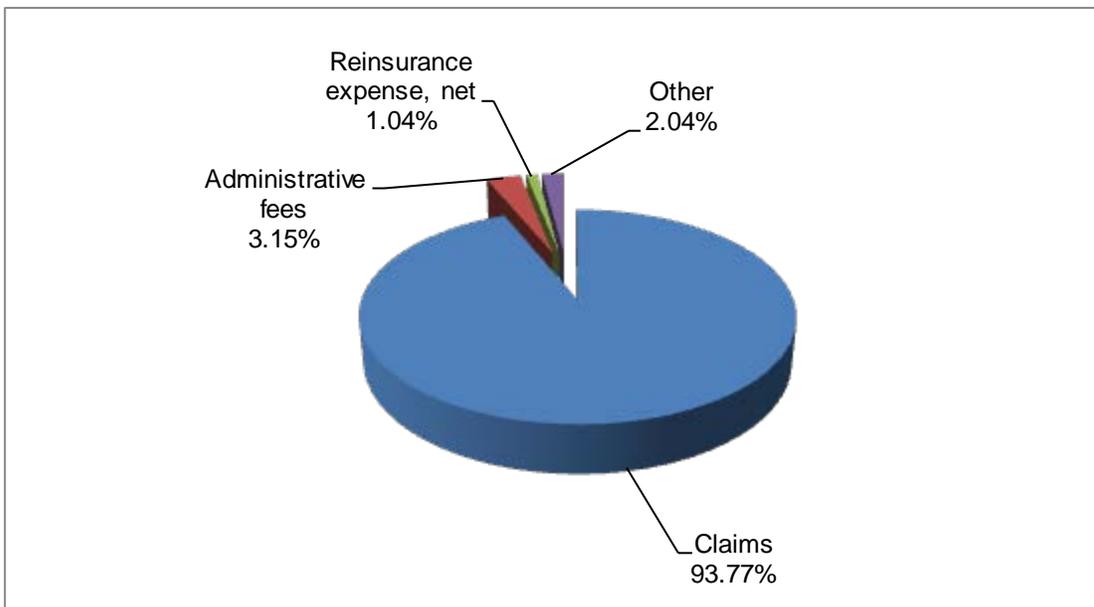
GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

The following are graphic illustrations of operating expenses by source:

**Operating Expenses
2014**

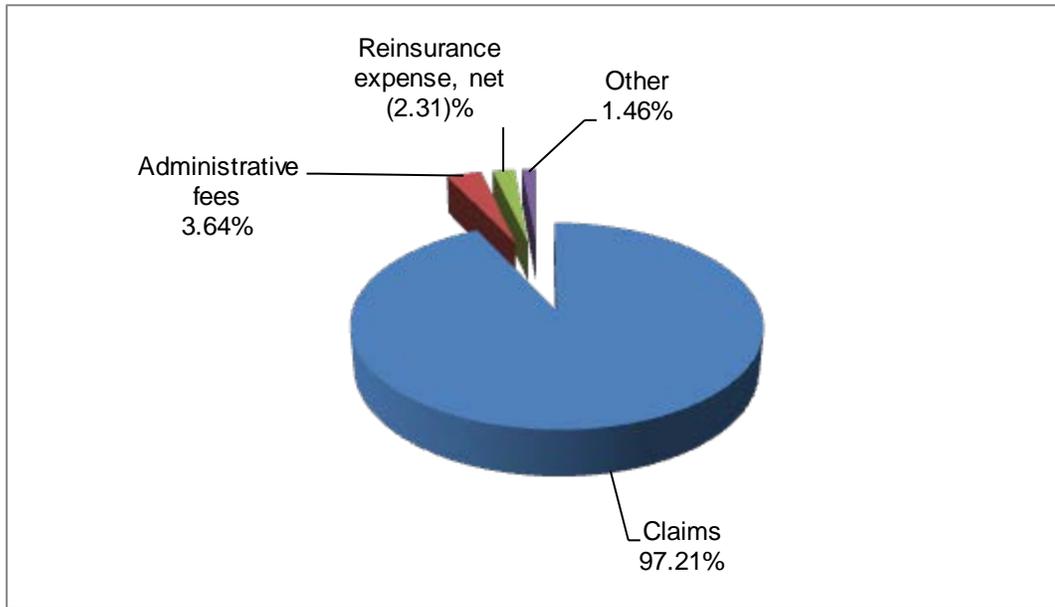


**Operating Expenses
2013**



GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**Operating Expenses
2012**



Economic Factors Affecting the Future

- ❖ Prior to the start of the 2013 Fiscal Year, the Consortium renewed its specific stop-loss insurance with an increased deductible level of \$300,000 in an effort to keep the premium increase at a reasonable level. This increased deductible does create an additional level of risk associated with the Consortium's operations. However, the Consortium experienced fewer catastrophic losses in 2013 and 2014. This contributed to the better than expected paid claims result which allowed the Consortium Board of Directors to establish a Catastrophic Claims Reserve to help off-set increased risk associated with the higher deductible on the specific stop-loss insurance. In 2014 the Catastrophic Claims Reserve was established at approximately \$600,000. During the 2015 budget development process which occurred in the Fall of 2014, the Board of Directors again agreed to increase the specific stop-loss insurance deductible to its current level of \$400,000. This resulted in an additional increase in exposure and a lower premium expense. To help protect the Consortium's financial position, the Board of Directors voted to increase the Catastrophic Claims Reserve to \$1,050,000 for the 2015 Fiscal Year. This is an area which will be reviewed by the Board of Directors on an annual basis to ensure a tolerable balance is achieved between the risk and cost of the stop-loss insurance.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

- ❖ The Affordable Care Act's (ACA's) ongoing implementation has resulted in some increased costs to the Consortium with the payment of the Patient Centered Outcomes Research Institute (PCORI) Fee in the amount of \$4,448 related to the 2012 Fiscal Year. This fee more than doubled in cost with the \$10,178 payment made during the 2014 Fiscal Year for the 2013 Fee; paid in July 2014. Starting with the 2014 PCORI fee, this fee will continue to increase each year by an inflationary escalator as determined by the United States Internal Revenue Service until the fee is no longer applicable (2019). In addition to the PCORI fee; in 2014, the Consortium was subject to the ACA Transitional Reinsurance Program Fee which required the Consortium to pay \$316,764 during the fiscal year.
- ❖ The Board of Directors is keeping a close eye on the effects continuing decreases in Medicare and Medicaid reimbursements to medical facilities and practitioners will have on the Consortium's paid claims expenses. The main concern is that these same providers of care will seek higher reimbursements from third party administrators and insurance companies to offset losses in Medicare and Medicaid revenue. It is likely these pressures will lead to contentious negotiations on network reimbursement rates which could also impact the overall provider network. Although the Consortium does not foresee any immediate financial issues related to this situation, the Board of Directors will continue to monitor paid claims and other data to ensure they make well informed and educated decisions regarding the financial structure of the plans.
- ❖ The Village of Homer plan joined the Plan on January 1, 2015 and the Town of Willet plans to join on May 1, 2015.
- ❖ A new Claims/Rate Stabilization Reserve will be established in 2015.

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,

	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,958,073	\$ 3,563,863
Accounts receivable - stop loss and drug rebates	540,237	429,354
Accounts receivable - ancillary benefits	-0-	9,136
Premiums receivable	36,379	277,412
Prepaid expenses	997	-0-
Total Current Assets	8,535,686	4,279,765
OTHER ASSETS		
Noncurrent Assets:		
Premium claims deposit	953,700	908,100
Restricted cash and cash equivalents	5,953,618	5,947,189
Total Other Assets	6,907,318	6,855,289
 Total Assets	 15,443,004	 11,135,054
LIABILITIES		
Current Liabilities:		
Incurred claims liability:		
Incurred liability	3,520,046	3,204,729
Claims payable	280,293	369,664
Total Incurred Claims Liability	3,800,339	3,574,393
Accounts payable	386,786	315,382
Unearned revenues	355,180	196,396
Total Current Liabilities	4,542,305	4,086,171
 Total Liabilities	 4,542,305	 4,086,171
NET POSITION		
Restricted for contingency reserve - Section 4706(a)(5)	1,803,165	1,725,384
Catastrophic claims reserve	606,898	600,000
Adjustment for incurred but not reported claims	(1,039,180)	(824,545)
Subtotal	1,370,883	1,500,839
 Unassigned	 9,529,816	 5,548,044
 Total Net Position	 \$ 10,900,699	 \$ 7,048,883

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>2014</u>	<u>2013</u>
Operating Revenues:		
Premiums	\$ 36,063,291	\$ 34,507,670
Aggregate write-ins for other revenues	<u>134,659</u>	<u>146,563</u>
Total Operating Revenues	<u>36,197,950</u>	<u>34,654,233</u>
Operating Expenses:		
Claims expense	29,755,490	28,013,757
Reinsurance expenses, net	836,935	310,713
Administrative fees	988,796	939,946
Aggregate write-ins for other expenses	<u>562,919</u>	<u>610,890</u>
Total Operating Expenses	<u>32,144,140</u>	<u>29,875,306</u>
Excess of Operating Revenues		
Before Nonoperating Revenue (Expense)	4,053,810	4,778,927
Nonoperating Revenue (Expense):		
Interest earnings	12,641	9,871
Interest (expense)	<u>-0-</u>	<u>(119,426)</u>
Total Nonoperating Revenue (Expense)	<u>12,641</u>	<u>(109,555)</u>
Change in Net Position	4,066,451	4,669,372
Net Position, January 1,	7,048,883	4,626,192
Capital contributed (returned)	-0-	(1,422,136)
Adjustment for incurred but not reported claims	<u>(214,635)</u>	<u>(824,545)</u>
Net Position, December 31,	<u>\$ 10,900,699</u>	<u>\$ 7,048,883</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,

	2014	2013
Cash Flows from Operating Activities:		
Premiums collected from municipal corporations	\$ 36,463,108	\$ 34,426,654
Rebates and reimbursements	916,730	1,621,614
Aggregate write-ins for other revenues	6,825	-0-
Premium claims deposit	(45,600)	(109,500)
Claims paid	(30,568,724)	(28,346,330)
Operating expenses paid	(2,384,341)	(2,251,857)
Net Cash Provided by Operating Activities	4,387,998	5,340,581
Net Cash from Noncapital Financing Activities	-0-	-0-
Cash Flows from Capital and Related Financing Activities:		
Restricted cash and cash equivalents (decrease)	(6,429)	(4,518,635)
Contributed capital (return) proceeds	-0-	(1,422,136)
Interest expense paid	-0-	(119,426)
Net Cash (Used) by Capital and Related Financing Activities	(6,429)	(6,060,197)
Cash Flows from Investing Activities:		
Interest earnings	12,641	9,871
Net Cash Provided by Investing Activities	12,641	9,871
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,394,210	(709,745)
Cash and Cash Equivalents, January 1,	3,563,863	4,273,608
Cash and Cash Equivalents, December 31,	\$ 7,958,073	\$ 3,563,863
Reconciliation of excess operating revenues over operating (expenses) to net cash provided by operating activities:		
Excess operating revenues over operating (expenses)	\$ 4,053,810	\$ 4,778,927
(Increase) decrease in accounts receivable	(101,747)	769,361
(Increase) in prepaid expenses	(997)	-0-
Decrease (increase) in premiums receivable	241,033	(277,412)
(Increase) in premium claims deposit	(45,600)	(109,500)
Increase in accounts payable	71,404	315,382
(Decrease) in claims payable	(89,371)	(22,088)
Increase in unearned revenue	158,784	196,396
Increase in incurred claims liability	315,317	514,060
Adjustment for incurred but not reported claims	(214,635)	(824,545)
Net Cash Provided by Operating Activities	\$ 4,387,998	\$ 5,340,581

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, 2014 AND 2013

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 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. The Consortium added two new participating municipalities; the City of Cortland and Town of Lansing on January 1, 2013. The new members added 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. Plan members currently include 15 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 claim expenditures. Adjustments to claims liabilities are adjustments to net position and 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, 2014 AND 2013

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

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).

Catastrophic Claims Reserve: A reserve equal to approximately 2% of the expected paid claims for the fiscal year.

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, and interest expense of \$119,426, were completely repaid as of December 31, 2013.

Adjustment for Incurred But Not Reported Claims: A reserve required by Section 4706(a)(1) of the New York State Insurance Law. The New York State Department of Financial Services has allowed the Plan to utilize a factor of 12% of expected incurred claims as the estimate of this liability (see Note 1D). The estimate of expected incurred claims is actuarially determined.

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. Unassigned net position represents 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 15 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. Two new municipalities will be joining the Plan during 2015.

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, 2014 and 2013, the Plan's uninsured cash balances totaled \$-0- and \$4,516,604, respectively. However, at January 31, 2014, all accounts were fully collateralized.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

I. Concentration of Operating Revenues

The Plan received approximately 99.6% and 99.6% of its operating revenues from premiums collected for the years ended December 31, 2014 and 2013, respectively.

J. Cash Equivalents

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

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, 2014 and 2013, were \$13,912,698 and \$14,511,783, respectively. Carrying values at December 31, 2014 and 2013 were \$13,911,691 and \$9,511,052, respectively. These deposits were fully insured and/or collateralized at December 31, 2014, and partially insured and/or collateralized at December 31, 2013.

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>2014</u>	<u>2013</u>
Reinsurance expense	\$ 1,037,548	\$ 592,401
Reimbursements and rebates	<u>(200,613)</u>	<u>(281,688)</u>
Reinsurance Expense, Net	<u>\$ 836,935</u>	<u>\$ 310,713</u>

Note 4 - Restricted for Contingency Reserve and Restricted Cash

A contingency reserve of 5% 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>2014</u>	<u>2013</u>
Contingency Reserve	<u>\$ 1,803,165</u>	<u>\$ 1,725,384</u>

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Note 5 - Contingencies

A. Claims Liability

The BlueCross/BlueShield premiums include claims paid for the years ended December 31, 2014 and 2013, and an adjustment to account for the BlueCross/BlueShield financing arrangement of billing 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.

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, 2014 and 2013.

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>2014</u>	<u>2013</u>
Liability for unpaid claims - Beginning of year	\$ 3,574,393	\$ 3,082,421
Incurred claims and claim adjustment:		
Claims expense	29,755,490	28,013,757
Claims paid	(30,568,724)	(28,346,330)
Adjustment for incurred but not reported claims	<u>1,039,180</u>	<u>824,545</u>
Liability for Unpaid Claims - End of Year	<u>\$ 3,800,339</u>	<u>\$ 3,574,393</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
1. Net earned required contribution revenues	\$ 36,063,291	\$ 34,507,670	\$ 28,575,531	\$ 25,794,917
2. Unallocated expenses - N/A	-0-	-0-	-0-	-0-
3. Estimated incurred claims and expense, end of year	29,755,490	28,013,757	24,799,035	25,136,185
4. Paid (Cumulative) as of:				
End of policy year	(30,568,724)	(28,346,330)	(24,759,996)	(22,092,803)
5. Reestimated incurred claims and expense:				
End of policy year	29,755,490	28,013,757	24,799,035	24,800,072
6. Change in estimated incurred claims expense:	-0-	-0-	-0-	(336,113)

See Independent Auditor's Report