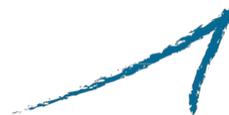


***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

Ithaca, New York

FINANCIAL REPORT

**For the Years Ended
December 31, 2015 and 2014**



insero&co

Certified Public Accountants | Business Advisors

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014**

Independent Auditor's Report	1-2
Required Supplementary Information	
Management's Discussion and Analysis	3-3h
Audited Financial Statements	
Statements of Net Position	4
Statements of Operations	5
Statements of Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8-12
Supplementary Financial Information	
Claim Development Information	13

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 (the Plan) as of and for the years ended December 31, 2015 and 2014, 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 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 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 opinion.

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, 2015, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Greater Tompkins County Municipal Health Insurance Consortium as of December 31, 2014 were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP who merged with Insero & Co. CPAs, LLP as of January 1, 2016, and whose report dated April 20, 2015 expressed an unmodified opinion on those statements.

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 3-3h 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 13 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.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
April 26, 2016

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015, the Plan's net position has increased by \$6,927,266. For the year ending December 31, 2014, the Plan's net position 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). 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:

	2015	2014	2013
Restricted for contingency reserve	\$ 1,879,368	\$ 1,803,165	\$ 1,725,384
Restricted for incurred but not reported claims	(1,361,219)	(1,039,180)	(824,545)
Catastrophic claims reserve	1,050,000	606,898	600,000
Rate stabilization reserve	1,513,287		
Unrestricted net position	14,746,529	9,529,816	5,548,044
Total Net Position	\$ <u>17,827,965</u>	\$ <u>10,900,699</u>	\$ <u>7,048,883</u>

A summary of operating and nonoperating revenues and expenses follows:

	2015	2014	2013
Premiums	\$ 37,587,353	\$ 36,063,291	\$ 34,507,670
Aggregate write-ins for other revenues	128,523	134,659	146,563
Nonoperating revenues - interest	13,526	12,641	9,871
Total Revenues	<u>37,729,402</u>	<u>36,210,591</u>	<u>34,664,104</u>
Operating expenses	31,070,977	32,144,140	29,875,306
Nonoperating expenses - interest			119,426
Total Expenses	<u>31,070,977</u>	<u>32,144,140</u>	<u>29,994,732</u>
Capital (returned)			(1,422,136)
Adjustment for incurred but not reported claims	268,841	(214,635)	(824,545)
Increase in Net Position	\$ <u>6,927,266</u>	\$ <u>3,851,816</u>	\$ <u>2,422,691</u>

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 Operations, Statements of 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 Operations reflect all operating and nonoperating revenues and expenses for the periods presented, and the excess of revenues over expenses 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 Changes in Net Position reflect all increases, decreases, and reclassifications to each reserve account as well as changes in unrestricted net position.

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, 2015 and 2014. During the 2015 fiscal year, the Plan's total net position increased by \$6,927,266. 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 contributed capital by participating municipalities of \$(1,422,136). The table below reflects, in summary, the financial position of the Plan at December 31:

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 15,413,416	\$ 8,535,686	\$ 4,279,765
Noncurrent assets	6,740,506	6,907,318	6,855,289
Total Assets	<u>22,153,922</u>	<u>15,443,004</u>	<u>11,135,054</u>
Current liabilities	<u>4,325,957</u>	<u>4,542,305</u>	<u>4,086,171</u>
Total Liabilities	<u>4,325,957</u>	<u>4,542,305</u>	<u>4,086,171</u>
Net Position	<u>\$ 17,827,965</u>	<u>\$ 10,900,699</u>	<u>\$ 7,048,883</u>

The 2015 and 2014 increases in current assets are 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 2015 decrease in noncurrent assets is primarily due to a reduction in the cash advance premium claims deposit from a two week cash advance to a one week cash advance partially offset by increases in restricted cash. The 2014 increase in noncurrent assets is mainly due to an increase in the required cash advance premium claims deposit. 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 2015 decrease in current liabilities is mainly due to reduction of Section 4706(a)(5) requirements and decreased unearned revenue. The 2014 and 2013 increases in current liabilities are primarily due to additional Section 4706(a)(5) requirements and increased unearned revenue.

Statements of Operations

The Statements of Operations present the results of operations of the Plan for the years ending December 31:

Revenue Overview

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Premiums	\$ 37,587,353	\$ 36,063,291	\$ 34,507,670
Aggregate write-ins for other revenues	128,523	134,659	146,563
Interest earnings	<u>13,526</u>	<u>12,641</u>	<u>9,871</u>
Total Revenues	<u>\$ 37,729,402</u>	<u>\$ 36,210,591</u>	<u>\$ 34,664,104</u>

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Expense Overview

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

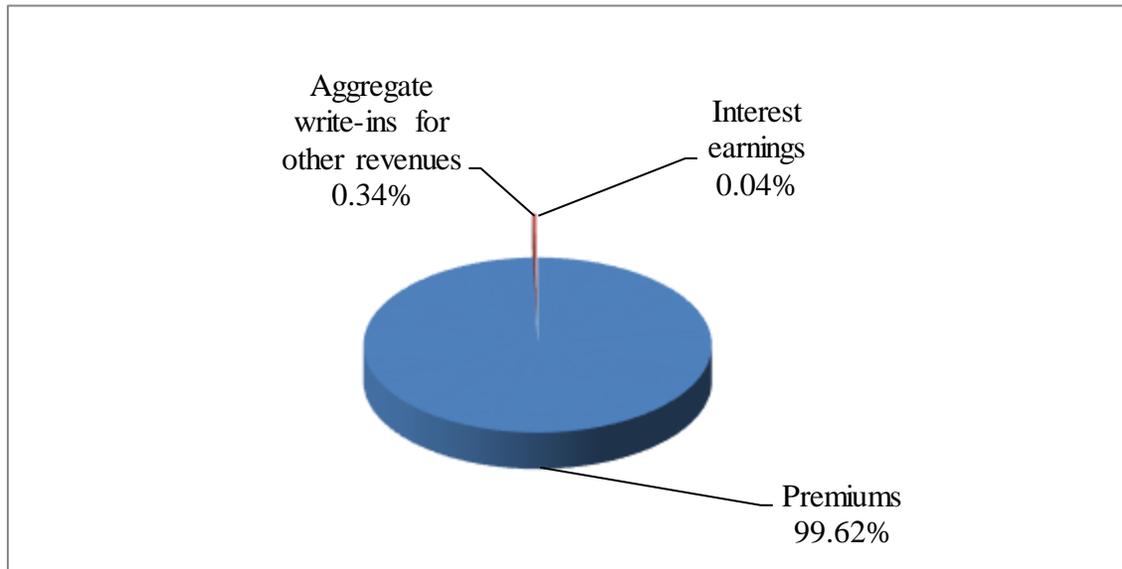
	2015	2014	2013
Claims expense	\$ 28,750,405	\$ 29,755,490	\$ 28,013,757
Administrative fees	1,003,466	988,796	939,946
Aggregate write-ins for other expenses	610,589	562,919	610,890
Reinsurance expenses, net of recoveries	706,517	836,935	310,713
Non-operating expenses - interest	-	-	119,426
Total Expenses	\$ 31,070,977	\$ 32,144,140	\$ 29,994,732

Statements of Changes in Net Position

The Statements of Changes in Net Position represent the changes in Plan reserves, incurred claims and unrestricted net position for the years ended December 31, 2015 and 2014.

The following are graphic illustrations of revenues by source:

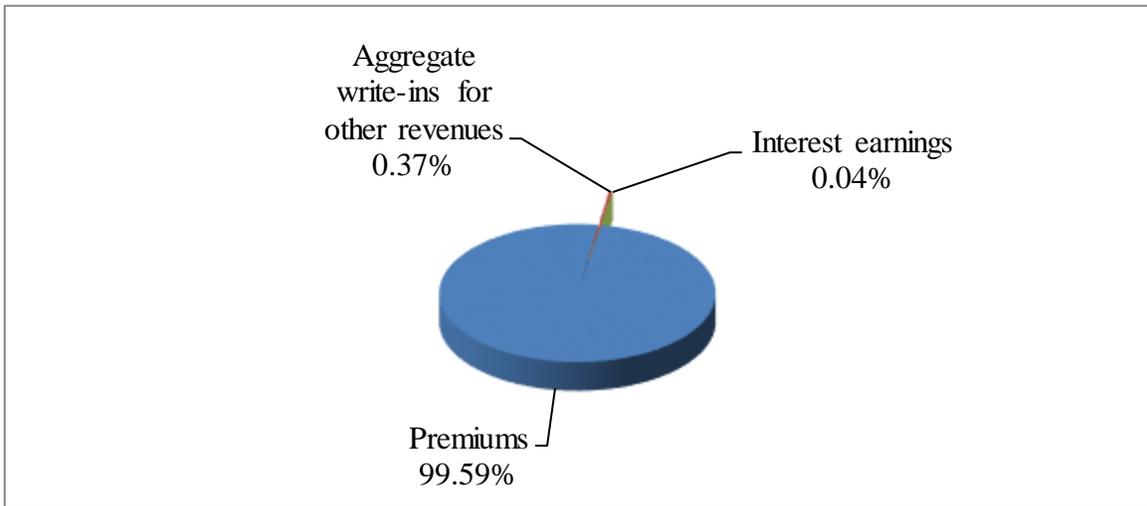
Sources of Revenue for 2015



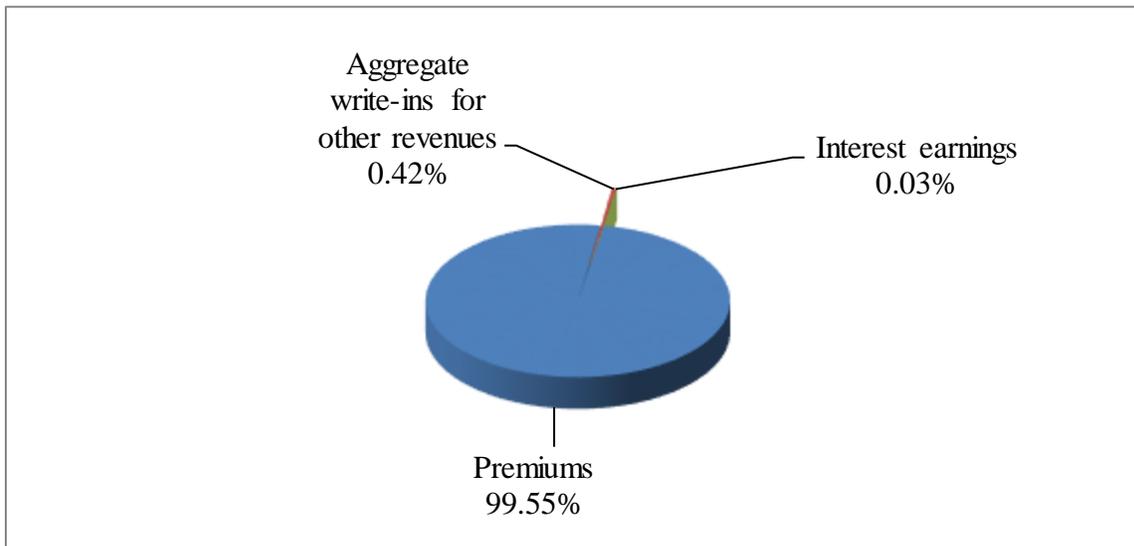
GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Sources of Revenue for 2014



Sources of Revenue for 2013

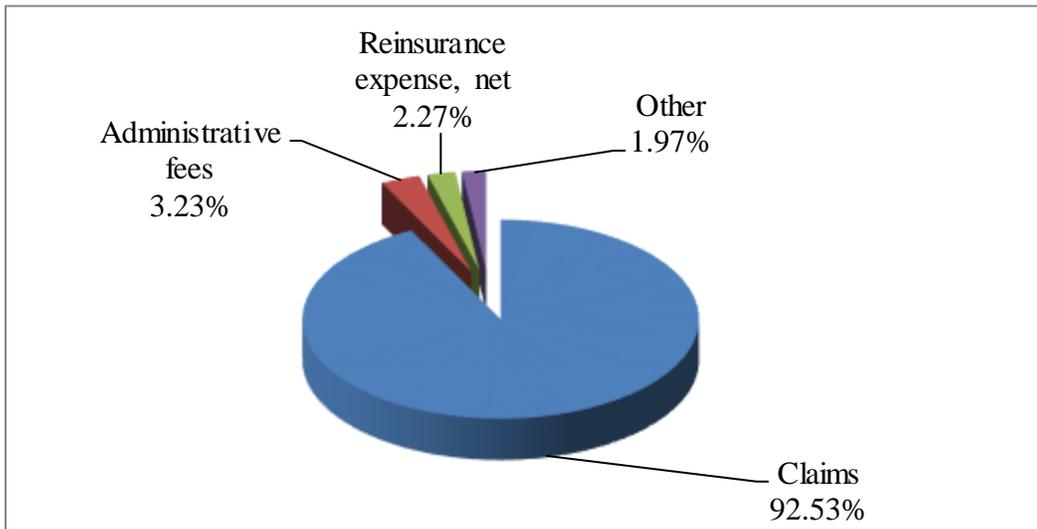


GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

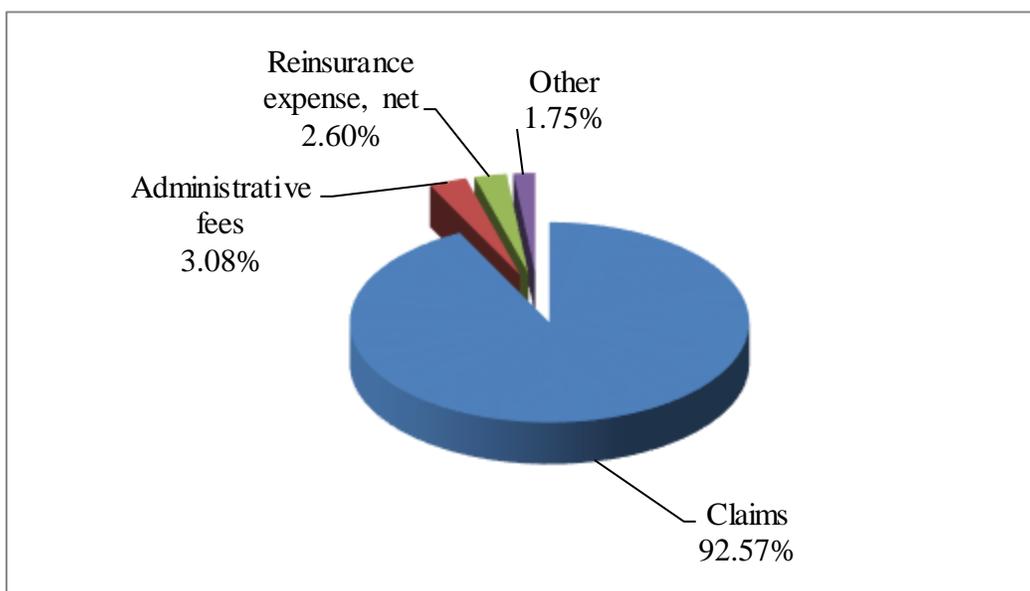
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

The following are graphic illustrations of operating expenses by source:

Operating Expenses 2015



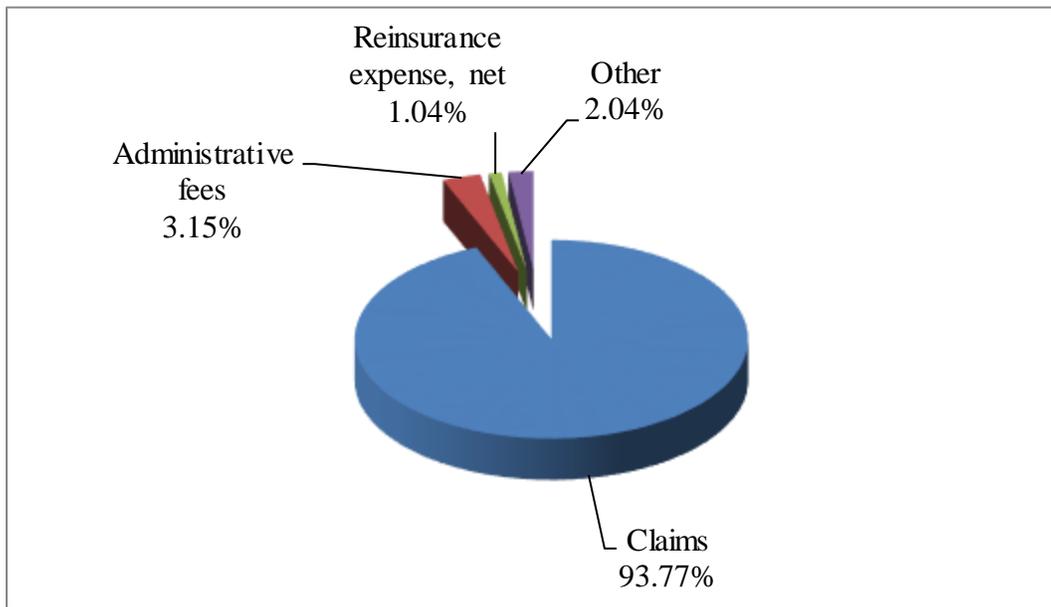
Operating Expenses 2014



GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Operating Expenses 2013



Economic Factors Affecting the Future

- ❖ Prior to the start of the 2015 Fiscal Year, the Consortium renewed its specific stop-loss insurance with an increased deductible of \$400,000 in an effort to keep the premium increase at a reasonable level. The increase 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 and maintain a Catastrophic Claims Reserve to help off-set the increased risk associated with the higher deductible. For 2014, the Catastrophic Claims Reserve was established at approximately \$600,000 to create financial resources when stop-loss risk retention was increased from \$250,000 to \$300,000. During the 2015 budget development process, the Board 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 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. The Board has since agreed to continue to fund this reserve at the \$1,050,000 level for the 2016 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 risk and the cost of stop-loss insurance.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

- ❖ With better than expected paid claims and expense results for the past two fiscal periods, the Board of Directors made the decision to establish a Claims/Rate Stabilization Reserve to further protect the Consortium's cash flow and provide additional financial stability. These funds will be used to mitigate premium rate increases if claim projections are exceeded. The Consortium's goal is to maintain reasonable, prudent, and modest premium increases for the foreseeable future.
- ❖ The Affordable Care Act's (ACA's) ongoing implementation has resulted in increased costs to the Consortium, including the Patient Centered Outcomes Research Institute (PCORI) Fee. This fee in 2013 more than doubled in cost for the 2014 Fiscal year, with the \$10,252 payment made 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 2019. The 2015 fee increased by 4% to \$10,773. 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 and another \$221,100 in the 2015 Fiscal Year. This additional ACA fee will cost the Consortium an additional \$138,188 in the 2016 Fiscal Year, after which this fee is no longer applicable.
- ❖ The Board of Directors is also keeping a close eye on the effects continuing decreases in Medicare and Medicaid reimbursements to medical facilities and practitioners will have on paid claims expense. There is concern these care providers will seek higher reimbursements from third party administrators and insurance companies to make up for 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.
- ❖ Another area which has drawn the attention of the Consortium's Board of Directors is the significant increase in the cost of prescription medications on a per fill basis. These increases are being seen across all tiers of medications with significant growth in the generic drug class and even more substantial growth in specialty pharmaceuticals purchased by covered members. The Board of Directors will continue to work with ProAct, Inc. and its other advisors to mitigate the rate of growth in this area.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

- ❖ The Consortium continues to see a decrease in Incurred But Not Reported (IBNR) actuarial findings. For 2011, the Consortium's calculated IBNR was 10.15% of paid claims. The IBNR calculation for 2015 is 7.86%. While this does not affect the mandated 12% of actual paid claims reserve required by the NYS Department of Financial Services, it does provide sound data that the 12% IBNR will not be increased in the foreseeable future.
- ❖ The Village of Homer plan joined the Plan on January 1, 2015 and the Town of Willet joined on May 1, 2015. In addition, on January 1, 2016, the Consortium added the Town of Marathon, the Town of Virgil, and the Town of Truxton. The Consortium continues to gain interest from neighboring municipalities.

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>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,353,516	\$ 7,958,073
Accounts receivable - stop loss and drug rebates	13,034	540,237
Premiums receivable	46,866	36,379
Prepaid expenses	-	997
Total Current Assets	<u>15,413,416</u>	<u>8,535,686</u>
 OTHER ASSETS		
Noncurrent Assets:		
Premium claims deposit	527,500	953,700
Restricted cash and cash equivalents	6,213,006	5,953,618
Total Other Assets	<u>6,740,506</u>	<u>6,907,318</u>
 Total Assets	<u>22,153,922</u>	<u>15,443,004</u>
 LIABILITIES		
Current Liabilities:		
Incurred claims liability	3,631,889	3,800,339
Accounts payable	441,191	386,786
Unearned revenues	252,877	355,180
Total Current Liabilities	<u>4,325,957</u>	<u>4,542,305</u>
 Total Liabilities	<u>4,325,957</u>	<u>4,542,305</u>
 NET POSITION		
Restricted for contingency reserve - Section 4706(a)(5)	1,879,368	1,803,165
Restricted for incurred but not reported claims	(1,361,219)	(1,039,180)
Catastrophic claims reserve	1,050,000	606,898
Rate stabilization reserve	1,513,287	-
Subtotal	<u>3,081,436</u>	<u>1,370,883</u>
 Unrestricted	<u>14,746,529</u>	<u>9,529,816</u>
 Total Net Position	<u>\$ 17,827,965</u>	<u>\$ 10,900,699</u>

See Independent Auditor's Report and Notes to Financial Statements

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Premiums	\$ 37,587,353	\$ 36,063,291
Aggregate write-ins for other revenues	<u>128,523</u>	<u>134,659</u>
Total Operating Revenues	<u>37,715,876</u>	<u>36,197,950</u>
Operating Expenses:		
Claims expense	28,750,405	29,755,490
Reinsurance expenses, net	706,517	836,935
Administrative fees	1,003,466	988,796
Aggregate write-ins for other expenses	<u>610,589</u>	<u>562,919</u>
Total Operating Expenses	<u>31,070,977</u>	<u>32,144,140</u>
Excess of Operating Revenues		
Before Nonoperating Revenue (Expense)	6,644,899	4,053,810
Nonoperating Revenue (Expense):		
Interest earnings	<u>13,526</u>	<u>12,641</u>
Total Nonoperating Revenue (Expense)	<u>13,526</u>	<u>12,641</u>
Excess of Revenues over Expenses	<u><u>\$ 6,658,425</u></u>	<u><u>\$ 4,066,451</u></u>

See Independent Auditor's Report and Notes to Financial Statements

**GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM**

**STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	2015					
	<u>Restricted</u>		<u>Board Designated</u>		<u>Unrestricted</u>	
	<u>Contingency Reserve</u>	<u>Restricted for Incurred</u>	<u>Catastrophic Claims Reserve</u>	<u>Rate Stabilization Reserve</u>	<u>Unrestricted</u>	<u>Total</u>
Balances at January 1, 2015	\$ 1,803,165	\$ (1,039,180)	\$ 606,898	\$ -	\$ 9,529,816	\$ 10,900,699
Change in Net Position					6,658,425	6,658,425
Reclassifications	76,203		443,102	1,513,287	(2,032,592)	-
Incurred Claims Adjustment					268,841	268,841
12% IBNR Adjustment		(322,039)			322,039	-
Balances at December 31, 2015	<u>\$ 1,879,368</u>	<u>\$ (1,361,219)</u>	<u>\$ 1,050,000</u>	<u>\$ 1,513,287</u>	<u>\$ 14,746,529</u>	<u>\$ 17,827,965</u>
	2014					
	<u>Restricted</u>		<u>Board Designated</u>		<u>Unrestricted</u>	
	<u>Contingency Reserve</u>	<u>Restricted for Incurred</u>	<u>Catastrophic Claims Reserve</u>	<u>Rate Stabilization Reserve</u>	<u>Unrestricted</u>	<u>Total</u>
Balances at January 1, 2014	\$ 1,725,384	\$ (824,545)	\$ 600,000	\$ -	\$ 5,548,044	\$ 7,048,883
Change in Net Position					4,066,451	4,066,451
Reclassifications	77,781		6,898		(84,679)	-
Incurred Claims Adjustment					(214,635)	(214,635)
12% IBNR Adjustment		(214,635)			214,635	-
Balances at December 31, 2014	<u>\$ 1,803,165</u>	<u>\$ (1,039,180)</u>	<u>\$ 606,898</u>	<u>\$ -</u>	<u>\$ 9,529,816</u>	<u>\$ 10,900,699</u>

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Premiums collected from municipal corporations	\$ 37,474,563	\$ 36,463,108
Rebates and reimbursements	1,524,793	916,730
Aggregate write-ins for other revenues	1,991	6,795
Premium claims deposit	426,200	(45,600)
Claims paid	(28,650,014)	(30,568,724)
Operating expenses paid	<u>(3,136,228)</u>	<u>(2,384,311)</u>
Net Cash Provided by Operating Activities	<u>7,641,305</u>	<u>4,387,998</u>
Cash Flows from Capital and Related Financing Activities:		
Restricted cash and cash equivalents (decrease)	<u>(259,388)</u>	<u>(6,429)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(259,388)</u>	<u>(6,429)</u>
Cash Flows from Investing Activities:		
Interest earnings	<u>13,526</u>	<u>12,641</u>
Net Cash Provided by Investing Activities	<u>13,526</u>	<u>12,641</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>7,395,443</u>	<u>4,394,210</u>
Cash and Cash Equivalents, January 1,	<u>7,958,073</u>	<u>3,563,863</u>
Cash and Cash Equivalents, December 31,	<u><u>\$ 15,353,516</u></u>	<u><u>\$ 7,958,073</u></u>
Reconciliation of excess operating revenues over operating (expenses) to net cash provided by operating activities:		
Excess operating revenues over operating (expenses)	\$ 6,644,899	\$ 4,053,810
Decrease (increase) in accounts receivable	527,203	(101,747)
Decrease (increase) in prepaid expenses	997	(997)
(Increase) decrease in premiums receivable	(10,487)	241,033
Decrease (increase) in premium claims deposit	426,200	(45,600)
Increase in accounts payable	54,405	71,404
(Decrease) increase in unearned revenue	(102,303)	158,784
(Decrease) increase in incurred claims liability	(168,450)	225,946
Adjustment for incurred but not reported claims	<u>268,841</u>	<u>(214,635)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 7,641,305</u></u>	<u><u>\$ 4,387,998</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 YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 1* Summary of Significant Accounting Policies**

The financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (the Plan) 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 was organized in 2010 as an Article 5-G General Municipal Law (GML) municipal corporation to provide health insurance benefits for its member municipalities. The term "Municipal Corporation," as defined by 119-N of the GML, includes a county, city, town, or 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 assets of the Plan be exhausted, members would be responsible for the Plan's liabilities. The Consortium added two new participating municipalities; the Village of Homer and Town of Willet in 2015. The new members added 32 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 17 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.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

Rate Stabilization Reserve: A reserve equal to approximately 5% of the expected incurred/paid claims for the fiscal year.

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.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

***Note 1* Summary of Significant Accounting Policies - Continued**

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 17 participating municipal corporations, with two new participating municipalities joining the Consortium in 2015. Representatives of each participating municipal corporation serve on the Board and premiums are collected from the municipal corporations. Three new municipalities will be joining the Plan during 2016.

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, 2015 and 2014, all accounts were fully collateralized.

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, 2015 and 2014, 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.

GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Note 2 Assets - Continued

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, 2015 and 2014, were \$21,566,522 and \$13,912,698, respectively. Carrying values at December 31, 2015 and 2014 were \$21,566,522 and \$13,911,691, respectively. These deposits were fully insured and/or collateralized at December 31, 2015 and 2014.

Note 3 Rebates and Reimbursements

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

	2015	2014
Reinsurance expense	\$ 891,560	\$ 1,037,548
Reimbursements and rebates	(185,043)	(200,613)
Reinsurance Expense, Net	\$ 706,517	\$ 836,935

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:

	2015	2014
Contingency Reserve	\$ 1,879,368	\$ 1,803,165

Note 5 Contingencies

A. Claims Liability

The BlueCross/BlueShield premiums include claims paid for the years ended December 31, 2015 and 2014, and an adjustment to account for the BlueCross/BlueShield financing arrangement of billing actual claims paid one week in arrears. This one week delay requires the Greater Tompkins County Municipal Health Insurance Consortium to fund approximated costs, as actual claim payments are charged one week later. No significant differences have been experienced or are expected between monthly adjusted premium billings and actual monthly settlements in succeeding billings.

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014**

Note 5 Contingencies - Continued

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, 2015 and 2014.

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>2015</u>	<u>2014</u>
Liability for unpaid claims - Beginning of year	\$ 3,800,339	\$ 3,574,393
Incurred claims and claim adjustment:		
Claims expense	28,750,405	29,755,490
Claims paid	(28,650,014)	(30,568,724)
Adjustment for incurred but not reported claims	(268,841)	214,635
Reclassification of incurred claims liability	<u>-</u>	<u>824,545</u>
Liability for Unpaid Claims - End of Year	<u>\$ 3,631,889</u>	<u>\$ 3,800,339</u>

***GREATER TOMPKINS COUNTY MUNICIPAL
HEALTH INSURANCE CONSORTIUM***

**CLAIM DEVELOPMENT INFORMATION
DECEMBER 31,**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
1. Net earned required contribution revenues	\$ 37,587,353	\$ 36,063,291	\$ 34,507,670	\$ 28,575,531
2. Unallocated expenses - N/A	-	-	-	-
3. Estimated incurred claims and expense, end of year	28,750,405	29,755,490	28,013,757	24,799,035
4. Paid (Cumulative) as of:				
End of policy year	(28,650,014)	(30,568,724)	(28,346,330)	(24,759,996)
5. Reestimated incurred claims and expense:				
End of policy year	28,750,405	29,755,490	28,013,757	24,799,035

See Independent Auditor's Report