

Greater Tompkins County Municipal Health Insurance Consortium  
Finance Committee  
Tuesday, May 21, 2013 - 9 a.m. - 10:30 a.m.

**Old Jail Conference Room**

Agenda

1. Call to Order
2. Approve Minutes of April 18, 2013 Joint meeting
3. Ancillary Benefits - What are the issues around removing the Consortium from the middle?  
*Steve Locey/David Squires*
4. Suggestion by the Bonadio Group to use new accounting software for the Consortium's financial operations (see 4/18 minutes)  
*David Squires*
5. Recommendation by the Bonadio Group that all premiums are considered past due if not paid before the month of coverage. This is not the Consortium's current practice. What are the issues around making this change?  
*David Squires/All*
6. Review CDLM Audit  
*Jerry Mickelson*
7. Review budget line by line to understand what info is used to develop  
*Steve Locey*
8. Adjournment

**Minutes**  
**Greater Tompkins County Municipal Health Insurance Consortium**  
**Joint Meeting of Audit and Finance Committees**  
**April 18, 2013 - 3:00 p.m.**

Attendees: Steve Thayer, Judy Drake, Chuck Rankin, Laura Shawley, Chantalise DeMarco (arrived at 3:10 p.m.), Mack Cook, Liz Karns, Mimi Theusen, David Squires, Joe Mareane, Steve Locey, Randy Shepard

**Call to Order**

Ms. Karns called the meeting to order at 3:05 p.m.

**Acceptance of Minutes**

It was MOVED by Ms. Shawley, seconded by Ms. Drake, and unanimously adopted by voice vote by members present, to approve the minutes of the March 21, 2013 Audit Committee meeting.

It was MOVED by Mr. Cook, seconded by Ms. Karns, and unanimously adopted by voice vote by members present, to approve the minutes of the March 27, 2013 Finance Committee meeting.

Mr. Squires reported that invoices received to date for the State Audit total \$15,000.

Ms. DeMarco arrived at this time.

**Overview JURAT Report by the Bonadio Group**

Mr. Shepard distributed a memorandum outlining a meeting he had with the New York State Department of Financial Services to review the draft 2012 Annual report (JURAT). He reported the meeting was attended by Warren Youngs, Daniel Sheridan, Charmaine Menga, Gail Ross, and himself. It went very well and said the questions raised centered around gaining a better understanding of what was being reported on the various lines of the report because of the State's unfamiliarity with the Consortium. He commented that the members of the Department of Financial Services were very helpful and appreciative. He believes most of the questions raised were able to be addressed and his sense of their questions was that they are trying to understand how the Consortium works.

At this time Mr. Shephard walked members through the questions that were posed by the Department and responses to the DFS by Mr. Shepard; comments from those present have been added.

**NY1**

Question – Indicated that the “Name of Administrator” should be the plan administrator, as in who is responsible at the plan level.

Response – This field will be changed to Don Barber as the Chairperson, unless otherwise directed by the Board.

**NY2**

Question – Line 3 – DFS would like an explanation as to why there are no premiums receivable to the plan at year-end.

Response – Mr. Shepard indicated that the billing cycles of the Consortium are such that premiums are due on the first of the month, and therefore a receivable is unlikely, although not impossible. His recommendation is to provide a narrative of the billing process as part of the overflow pages.

Ms. Karns said she would like to see narratives be a standing item whenever these reports are filed, as they will help new members better understand these kinds of items. Mr. Shepard did not see a problem with this.

Question – Details for Item 5 – DFS requested including the words “receivable” for line 0501 and 0502.

Response – The changes will be made accordingly.

Question – Line 0801 – DFS did not understand what the amounts on hand with Excellus represented and would like more details in the overflow area.

Response – Additional information will be provided in the overflow area to describe what this asset represents.

*Mr. Shepard said the State didn't understand the prepaid claims and whose money that was; he tried to explain what this represented and asked Mr. Locey to review this and see that the wording is correct.*

Question – Line 0802 – DFS was unsure what this amount represented and wanted to have details about the bank name where this money was held. Furthermore, they indicated that if this was intended to represent the stabilization reserve than the amount in the account should equal the calculated required reserve prior to year-end.

Response – Information such as the Bank Name, Account Type, and balance will be reported on NY15 in the overflow area. Since the annualized earned premium amount can be reasonably determined prior to year-end because of the billing cycle, this amount can be known and transferred prior to year-end accordingly. To be discussed with Board for 2013 filing.

Mr. Shepard said on the first draft JURAT he provided the amount reported for the surplus was different than the value on the restricted cash line and the State expressed concern over this. They said whatever is in reserve should be in the bank account and if it was not they wanted to know where it was held so they put the information in the overflow page and put a reconciliation between the amount in the surplus and the amount in the bank account. He noted it is a lot closer than it initially was. He said they also want moving forward that the transfer of cash be done before year-end so the account has exactly what the reserve says it should have. And because it is based on premium and that is known at the beginning of the month the amount will be known by year-end.

Mr. Locey said the reason it was established the way it was is because that account represented all of the assessments that were paid in upfront. He asked if there was a recommendation as to where that has to be in a separate account because he has never seen that in Article 47. Mr. Shepard said he also doesn't think this is in Article 47 and believes the State just

wants it in a segregated account but doesn't say where. Mr. Locey noted this account will go away when municipalities are paid back.

**NY3**

Question – Line 1 – DFS would like an explanation as to why there are no accounts payable at year-end and would like an explanation of the various contracts and terms thereon. They suggest including information in the overflow area of NY15.

Response – Provide a narrative on NY15 to discuss why there is no accounts payable at year-end, but contract terms will not be discussed. If desired by DFS, that can be provided under separate cover and not part of the filing.

Mr. Shepard explained that the plan is still new and there are no accounts payable as expenses were known and included in the budget.

Mr. Shepard noted that premium payments are due by the first of each month.

Question – Line 4 – DFS did not understand why there were no unearned premiums at yearend.

Response – See response to NY2 – Line 3 question for approach to address concern.

**NY4**

Question – Line 6 and 9 – DFS requested that the gross amounts, less the reductions for rebates and reductions, be show in the overflow area of NY15.

Response – Information will be provided as requested.

Question – Lines 13-16 – DFS requested that the Consortium explain why there are no amounts on these lines.

Response – Information will be provided as requested.

Question – Line 0303 – DFS would like the detail described and not included as miscellaneous.

Response – Additional information will be provided accordingly.

*Ms. Theusen said they have proposed adjustments for Stop-loss and drug rebates and will provide to Mr. Shepard for inclusion in the report.*

Question – Line 0301 – DFS would like an explanation in the overflow area of NY15 as to what these ancillary benefits (revenue and expense) represent.

Response – A narrative explanation will be provided as requested. The Bonadio Group requests that language be provided by the Consortium.

Question – Line 1703 – DFS requested a change in the language used for this line and was unsure what this represented. Their concern was that amounts for specialists and other medical claim related professional services was being provided.

Response – Line will be renamed to “Consulting fees” per request of DFS.

**NY6**

Question – Question 3 – DFS would like the Consortium to establish a policy related to conflict of interest disclosures.

Consortium Audit Committee  
March 21, 2013

Response – The Consortium Board needs to consider and take appropriate action. Mr. Thayer said the Audit Committee intends to take action on this.

Question – Question 7 – DFS believes this should be answered in the affirmative, with the explanation in line 7b that none were owned at year-end.

Response – Change will be made accordingly.

Question – Question 11 – DFS wondered where the general liability insurance for the Consortium was covered. There needs to be an explanation and information accordingly.

Response – I responded that I thought this was being covered by Tompkins County, but that I would clarify with the Consortium directly. Bonadio requests clarification from the Consortium.

Mr. Locey said each of the members have their own general liability policy so each entity is covered. He said the Consortium is not really an entity by itself as it is a number of entities. Mr. Shepard said the DFS may want to see each of the policies. *Following a brief discussion, it was agreed that Mr. Shepard would be provided with a statement regarding the general liability coverage being maintained by each member independently.*

#### **NY11**

Question – The main concern from DFS on this schedule related to the amount reported in Section III, Column D. Their concern is that it is unlikely that this amount would be zero at year-end based on their experience with other insurers and municipal cooperatives.

Response – Mr. Shepard indicated that his information was obtained from the third-party consultant hired by the Consortium who stated that no amounts were unpaid at year-end related to a prior period. He has requested additional information from Locey & Cahill via email on April 15, 2013.

*Mr. Locey agreed to contact Excellus to ascertain whether there were any unpaid claims related to 2011. And to be complete, Mr. Shepard recommended the same question should be posed to Medco on the Drug side. Once known the Bonadio Group will either break that detail out, or the Consortium will need to draft a statement regarding why that column will be reported as zero.*

*Mr. Shepard also asked that the Actuary report be attached to the final filing.*

#### **NY15**

Question – DFS noted that amounts in the 2011 columns varied from what was submitted in the Amendment filed February 2013.

Response – Mr. Shepard informed them of the changes made to conform to the current year presentation and they requested that this be noted in the overflow page.

#### **Additional Concerns Raised**

Mr. Shepard reported that under Section L(3) all payments are due by the 1<sup>st</sup> day of the month, subject to a penalty for late filing. Mr. Shepard said this not occurring at all, in fact the majority, if not all payments did not come in until mid-month. The calculated loss to the Consortium was \$267,515.33 for 2012. This is taking into account that every participant's first late month was waived in accordance with the agreement. These premiums should always be collected in advance and the Consortium should not be advancing the money.

Mr. Locey responded that every consortium Locey & Cahill works with has this clause in their agreement, however, he doesn't know anyone that enforces it. If there is a cash flow problem a concern would typically be addressed at a Board meeting.

Ms. Karns said she is uncomfortable having things in a contract that are not enforced and asked if this language needed to be included. Mr. Locey said there should be some language in the agreement so that it could be enforced if needed.

It was suggested that the language in the Municipal Cooperative Agreement could be changed from "must be" paid by... It was agreed that this could be considered with other possible changes to the MCA. It was suggested by Mr. Cook that the Finance Committee look at this.

He further stated that the Consortium should not be running a \$25m organization using excel schedules and worksheets and that the information needs to be converted to a formal accounting system and tracked accordingly. He recommended either utilizing the system from Tompkins County, or consideration of a Quick Books webhosted environment which allows for access through the internet.

Ms. Karns asked who would be the "keeper" of this; Mr. Locey recommended it would be the Consortium's Treasurer.

The Committee had no further questions and the Finance Committee adjourned at 3:50 p.m.

### **Review of Draft Fraud Policy**

The proposed changes presented were accepted and the changes noted below were added. It was agreed the suggested changes would be incorporated and a final policy would be presented at the next meeting and once approved by this Committee it will be presented to the full Board for approval.

### **Greater Tompkins County Municipal Health Insurance Consortium Policy for Disclosing Possible Wrongful Conduct (Whistleblower Policy) Overview**

The Greater Tompkins County Municipal Health Insurance Consortium was established to provide cost effective health and other related insurance benefits for the employees and retirees of member municipalities and their dependents. The aggregate cost of the program affects the future benefits of all members. Ultimately, the true payers of these benefits are the taxpayers of the municipalities in which these employers are located. It is, therefore, incumbent upon everyone involved to ensure that any wrongful acts, such as theft, fraud, waste or abuse are properly reported.

### **Disclosure Policy**

It is the policy of the Consortium that all individuals involved in the administration of the plan, as well as all members who receive benefits provided by the plan abide by the plan documents and all applicable state and federal laws and regulations. Any expected acts of theft, fraud, waste or abuse should be reported to the Consortium's Audit Committee or directly to the Attorney-in-fact<sup>1</sup> (John G. Powers of Hancock Estabrook LLP) for further investigation. Such investigation shall be commenced within 30 days. A written report of findings shall be submitted to the Board of Directors within 60 days.

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<sup>1</sup> Municipal Cooperative Agreement; Section E. Board of Directors (18)

Consortium Audit Committee  
March 21, 2013

**Anti-Discrimination Policy**

Any employee who discloses an alleged act of theft, fraud, waste or abuse shall not be discriminated or retaliated against by his/her employer or by any representative of the Consortium. In fact, all disclosures or complaints shall be kept confidential to the maximum extent possible. Disclosures or complaints submitted anonymously shall receive the same treatment as those submitted with identification. Any acts of discrimination or retaliation due to an individual's disclosure of theft, fraud, waste or abuse shall be reported to the Consortium's Audit Committee or directly to the Attorney-in-fact. Reports of discrimination shall be investigated within 30 days. A written report of findings shall be submitted to the Board of Directors within 60 days.

**Distribution**

This policy shall initially be distributed to each member municipality, each member of the Board of Directors, and the Joint Committee on Plan Structure and Design. A copy shall also be posted in a conspicuous location at each member municipality facility, and on the Consortium's website.

**Review**

This policy shall be reviewed by the Board of Directors at least once every three (3) years.

Ms. Theusen commented on the good work done by Mr. Shepard and the Bonadio Group and expects the next filing to go well.

**Adjournment**

The meeting adjourned at 4:08 p.m.

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.



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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
 AT THE CONCLUSION OF THE AUDIT**

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

We have audited the financial statements of the business-type activities of Greater Tompkins County Municipal Health Insurance Consortium (Plan) for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the incurred claims liability, the detail of which is presented in Note 6 of the financial statements.

Management's estimate of the incurred claims liability is based on statutory requirements, an actuarial report, and other relevant information. We evaluated the key factors and assumptions used to develop the incurred claims liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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 AGENDA PACKET PAGE 7

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There was one material corrected misstatement of financial information detected as a result of our audit. We recorded an additional \$874,662 in stop-loss recoveries, which increased net position by that amount.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated \_\_\_\_\_, 2013.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Greater Tompkins County Municipal Health Insurance Consortium and is not intended to be, and should not be, used by anyone other than these specified parties.

\_\_\_\_\_, 2013  
Ithaca, New York

**GREATER TOMPKINS COUNTY  
MUNICIPAL HEALTH INSURANCE  
CONSORTIUM**

**Ithaca, New York**

**FINANCIAL REPORT**

**December 31, 2012 and 2011**

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

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

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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***Opinion***

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

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 2d be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

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

\_\_\_\_\_, 2013  
Ithaca, New York

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

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

**Financial Highlights**

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

The Plan's net position consist of the following:

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

A summary of operating and nonoperating revenues and expenses follows:

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

**Financial Statement Overview**

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

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

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

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

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

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

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

**Statements of Net Position**

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

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

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

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

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

**Revenue Overview**

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

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

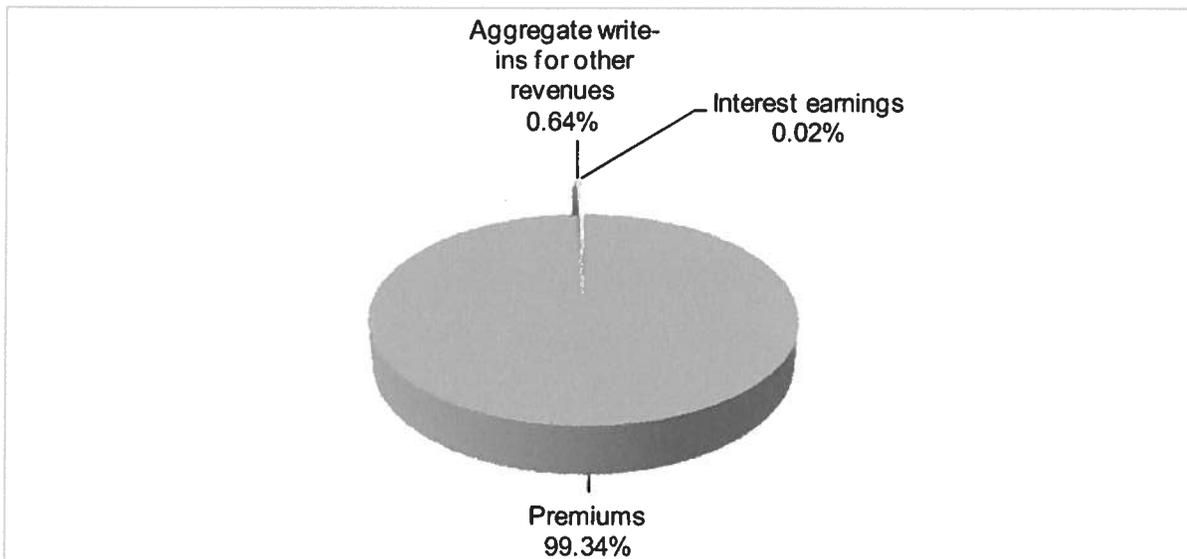
**Expense Overview**

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

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

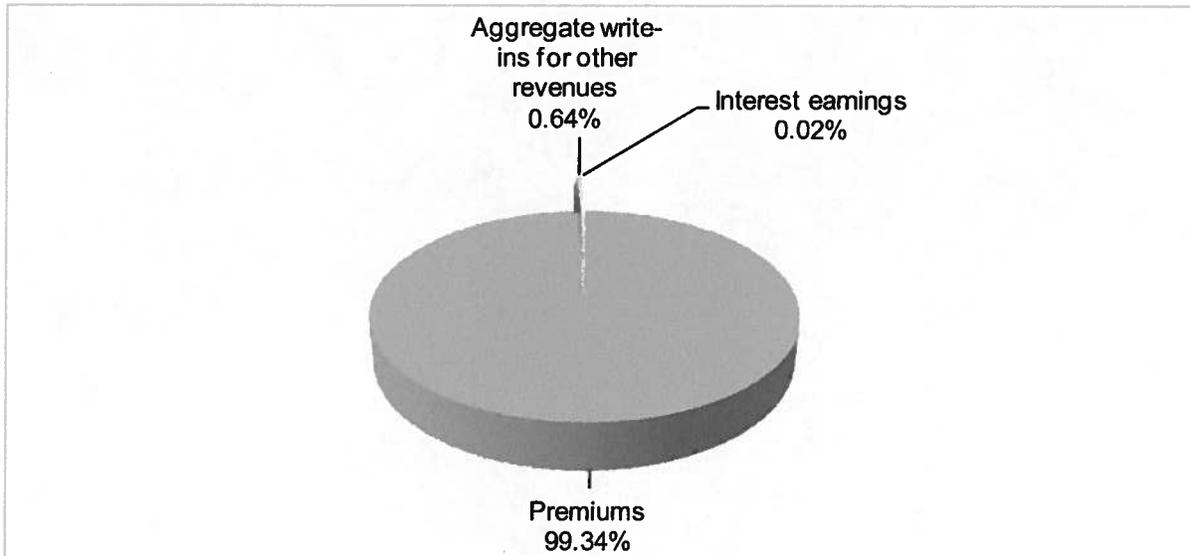
The following are graphic illustrations of revenues by source:

**Sources of Revenue for 2012**



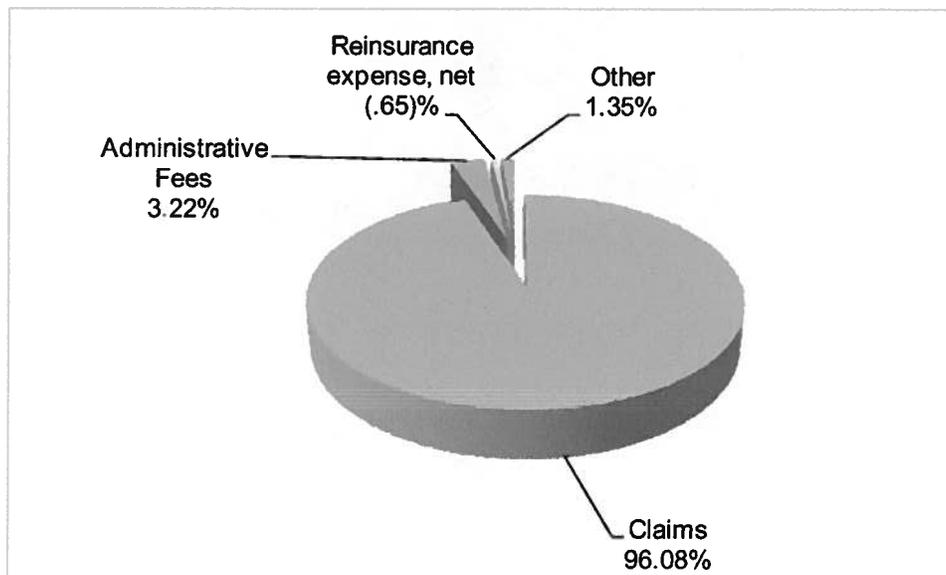
**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**Sources of Revenue for 2011**



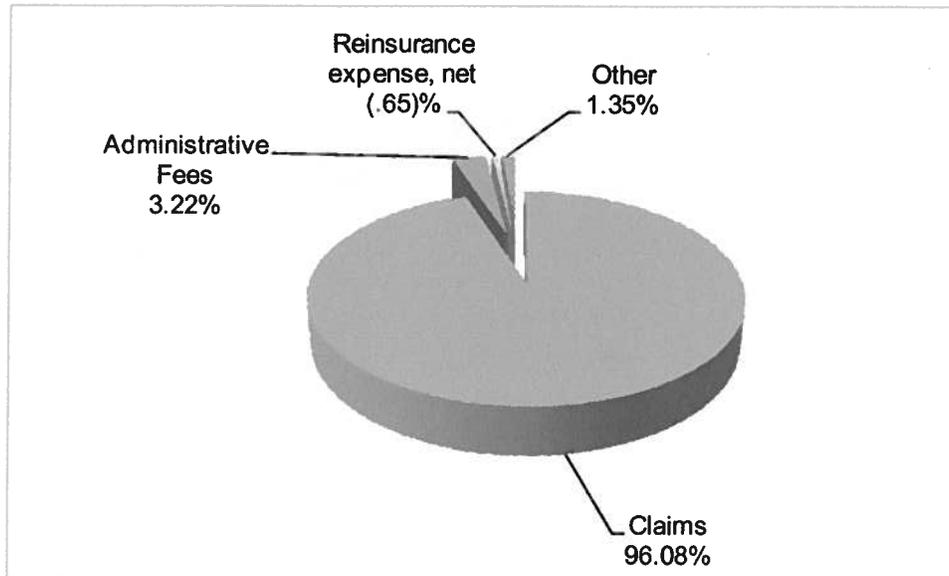
The following are graphic illustrations of operating expenses by source:

**Operating Expenses  
2012**



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

**Operating Expenses  
2011**



***Economic Factors Affecting the Future***

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

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

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

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

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

See Independent Auditor's Report and Notes to Financial Statements

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

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

See Independent Auditor's Report and Notes to Financial Statements

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

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
Premiums collected from municipal corporations	\$ 28,548,885	\$ 25,818,006
Rebates and reimbursements	658,946	309,362
Aggregate write-ins for other revenues	743	119,752
Premium claims deposit	(80,600)	(718,000)
Claims paid	(25,213,995)	(22,092,803)
Operating expenses paid	<u>(1,663,371)</u>	<u>(1,638,310)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>2,250,608</u>	<u>1,798,007</u>
<b>Net Cash from Noncapital Financing Activities</b>	<u>-0-</u>	<u>-0-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Restricted cash and cash equivalents increase	(201,559)	(1,226,995)
Contributed capital	<u>198,400</u>	<u>-0-</u>
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(3,159)</u>	<u>(1,226,995)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest earnings	<u>7,332</u>	<u>6,004</u>
<b>Net Cash Provided by Investing Activities</b>	<u>7,332</u>	<u>6,004</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,254,781	577,016
<b>Cash and Cash Equivalents, January 1,</b>	<u>2,018,827</u>	<u>1,441,811</u>
<b>Cash and Cash Equivalents, December 31,</b>	<u>\$ 4,273,608</u>	<u>\$ 2,018,827</u>
<b>Reconciliation of excess (deficit) operating revenues over operating (expenses) to net cash provided by operating activities:</b>		
Excess (deficit) operating revenues over operating (expenses)	\$ 3,170,841	\$ (198,196)
(Increase) in accounts receivables	(884,874)	(322,977)
Decrease (increase) in prepaid expenses	33,255	(33,255)
(Increase) in premium claims deposit	(80,600)	(718,000)
(Decrease) increase in accounts payable	(407)	407
(Decrease) increase in claims payable	(38,548)	430,300
(Decrease) increase in deferred revenue	(26,646)	26,646
Increase in incurred claims liability	<u>77,587</u>	<u>2,613,082</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 2,250,608</u>	<u>\$ 1,798,007</u>

See Independent Auditor's Report and Notes to Financial Statements

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

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

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

**A. Description of the Plan**

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

**B. Basis of Accounting/Measurement Focus**

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

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

**C. Use of Estimates**

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

**D. Unpaid Claims Liabilities**

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

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

E. Reinsurance

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

F. Net Position

Contributed Capital: Initial capitalization of the Plan, expected to be repaid in five years, subject to funds availability and approval by the Department of Financial Services. The initial capitalization by participating municipalities of \$1,422,136 has not been formally restricted as of December 31, 2012.

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

Unassigned: If a surplus of assessments exists after the close of the Plan year, after provision for payment of all known unsettled claims, and after receipt of an annual independent financial audit, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to, or included in, such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. The net 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 13 participating municipal corporations, with two new participating municipalities joining the Consortium as of January 1, 2013. Representatives of each participating municipal corporation serve on the Board and premiums are collected from the municipal corporations.

H. Concentration of Credit Risk

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

I. Concentration of Operating Revenues

The Plan received approximately 95% and 97% of its operating revenues from premiums collected for the years ended December 31, 2012 and 2011, respectively.

J. Cash Equivalents

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

K. Subsequent Events

Subsequent events were evaluated through \_\_\_\_\_, 2013, which is the date the financial statements were available to be issued. Subsequent events were identified which require disclosure or recognition in the financial statements as of December 31, 2012.

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

**L. Reclassifications**

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

**Note 2 - Assets**

**A. Cash and Investments**

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

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

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

**Note 3 - Rebates and Reimbursements**

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

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

**Note 4 - Restricted for Contingency Reserve and Restricted Cash**

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

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

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

**Note 5 - Contingencies**

**A. Claims Liability**

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

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

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

**Note 6 - Liabilities - Unpaid Claims**

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

The following represents changes in those aggregate liabilities:

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

**Note 7 - Deficit Net Position - 2011**

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

**Note 8 - Subsequent Events**

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

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

	<u>2012</u>	<u>2011</u>
1. Net earned required contribution revenues	\$ 28,575,531	25,794,917
2. Unallocated expenses - N/A	-0-	-0-
3. Estimated incurred claims and expense, end of year	24,799,035	25,136,185
4. Paid (Cumulative) as of:		
End of policy year	(25,213,995)	(22,092,803)
5. Reestimated incurred claims and expense:		
End of policy year	24,799,035	25,136,185
6. Change in estimated, incurred claims and expense:	-0-	-0-

See Independent Auditor's Report

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.  
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D. Leslie Spurgin, C.P.A.



**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*Certified Public Accountants and Consultants*

Frederick J. Ciaschi, C.P.A.

MANAGEMENT COMMENT LETTER

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

In planning and performing our audit of the financial statements of the Greater Tompkins County Municipal Health Insurance Consortium (Plan) as of and for the years ended December 31, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

**SIGNIFICANT DEFICIENCIES**

Recurring Comments

Contributed Capital

Finding:

During our prior year review of minutes, we noted the initial contributed capital by participating municipal corporations is estimated to be repaid in five years, subject to fund availability, with annual interest at 3%. The interest accrual provision has not been recorded. Contributed capital amounted to \$198,400 in 2012 and \$1,223,736 in 2010 for a total of \$1,422,136 at December 31, 2012.

Recommendation:

We recommend the contributed capital and interest return provisions be reviewed to ensure compliance with the above guidelines.

Current Status:

The consortium has reached an understanding with the Department of Financial Services that no repayment distributions will be made without prior approval.

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Board Meetings

Finding:

During our review of minutes, we noted many instances where the Joint Committee on Plan and Design did not have a quorum present. A quorum is required for the Board to conduct any business.

Recommendation:

We recommend a policy be implemented to ensure a quorum at each scheduled meeting.

Current Status:

Meeting quorums were met more regularly during the current year.

Administrative Guidelines

Finding:

During our review of the Municipal Cooperation Agreement, we noted the establishment of formal administrative guidelines and financial regulations for entry of new participants has not been completed.

Recommendation:

We recommend establishment of the above per the Municipal Cooperation Agreement.

Excellus BlueCross Administrative Services Contract

Finding:

In accordance with the Excellus BlueCross Administrative Services Contract, a security of \$2,387,600 for run-out claims may be required. No such formal evidence of security was noted during our audit. This cash restriction was not specifically segregated as of December 31, 2012 or 2011.

Recommendation:

We recommend a review of the various Excellus BlueCross Administrative Services Contract provisions. We also recommend the various provisions be formally clarified and documented.

Incurred Claims Liability

Finding:

During our current and prior year audits, we noted no formal documentation stating that liability for claims and expenses shall be 12% of annual total expenses. The liability has been calculated at approximately 12% of expected total incurred claims expense, but there does not appear to be formal documentation of this provision by the Department of Financial Services.

Recommendation:

We recommend that formal documentation be obtained.

Audit of Medical Claims

Finding:

During our current and prior year audits, we noted medical claims paid are not audited.

Recommendation:

We recommend an independent firm be engaged to perform audits of medical claims paid.

**Resolved Comments**

**Excellus BlueCross Administrative Services Contract**

**Finding:**

During our prior year review of the Excellus BlueCross Administrative Services Contract, we noted a requirement for a claims deposit fund in the amount of \$798,600. Four quarterly payments \$179,500 have been made, totaling \$718,000. This represents the actual claims deposit fund.

**Resolution:**

The claims deposit is now \$798,600.

**Collateral**

**Finding:**

Collateral is required for demand and time deposits not covered by Federal Deposit Insurance. The Consortium had two bank accounts not collateralized as required.

**Resolution:**

Collateral agreements have been obtained for these bank accounts.

**Financial Statements**

**Finding:**

We noted the preliminary Annual Report submitted to the State of New York Department of Financial Services did not agree with the Plan's accounting records in all instances.

**Resolution:**

Other auditors prepared the annual State of New York Insurance Fund reports that reconciled to the Plan's accounting records.

**Cash**

**Finding:**

During our prior year audit, we noted a check issued December 16, 2011 in the amount of \$32,795 that was not initially reported in the preliminary cash balance as part of the audit process.

**Resolution:**

No such instances were noted during our current year audit.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would like to thank you and your staff for the cooperation and support given to us during the course of the audit. We appreciate the opportunity to be of service to you and look forward to our continued involvement.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Plan, and is not intended to be and should not be used by anyone other than these specified parties.

\_\_\_\_\_, 2013  
Ithaca, New York