

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
BASIC FINANCIAL STATEMENTS  
AND REQUIRED SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 2015 and 2014  
WITH INDEPENDENT AUDITORS' REPORTS

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOGETHER WITH REQUIRED SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 2015 AND 2014

**INDEX**

**INDEPENDENT AUDITORS' REPORTS ON**

Basic Financial Statements.....	i
Internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	..iii

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	v
---	---

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position.....	1
Statement of Revenues, Expenses, and Changes in Net Position.....	2
Statement of Cash Flows .....	3
Notes to Financial Statements.....	4
Required Supplementary Information.....	12



**Lynch, Malloy, Marini, LLP**

*Certified Public Accountants & Advisors*

www.lmmepas.com

## **INDEPENDENT AUDITORS' REPORT**

To the Steering Committee  
Mayflower Municipal Health Group

We have audited the accompanying financial statements of Mayflower Municipal Health Group (Group) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Group'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 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mayflower Municipal Health Group, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 (MD&A) on pages v-vii and the claims development information on page 12 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 Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016, on our consideration of Mayflower Municipal Health Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mayflower Municipal Health Group's internal control over financial reporting and compliance.

*Lynch, Malloy, Marini, LLP*

Natick, Massachusetts  
January 19, 2016



Lynch, Malloy, Marini, LLP

*Certified Public Accountants & Advisors*

www.lmmepas.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Steering Committee  
Mayflower Municipal Health Group

We have audited, in accordance with the 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, the financial statements of Mayflower Municipal Health Group (Group), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Group's basic financial statements, and have issued our report thereon dated January 19, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Group's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group'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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Group's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lynch, Malloy, Marini, LLP*

Natick, Massachusetts

January 19, 2016

## MAYFLOWER MUNICIPAL HEALTH GROUP

### Management's Discussion & Analysis

June 30, 2015 and 2014

The management of Mayflower Municipal Health Group (the Group) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2015 and 2014. Please read this discussion and analysis in conjunction with the Group's basic financial statements on the accompanying pages.

#### **Basic Financial Statements**

The basic financial statements are prepared using the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows and notes to the financial statements.

The statement of net position presents information on the assets and liabilities of the Group, with the difference being reported as net position.

The statement of revenues, expenses, and changes in net position reports the operating and non-operating revenues and expenses of the Group for the fiscal year. The net result of these activities combined with the beginning of the year net position reconciles to the net position at the end of the current fiscal year.

The statement of cash flows reports the changes in cash for the year resulting from operating and investing activities. The net result of the changes in cash for the year, when added to the balance of cash at the beginning of the year, equals cash at the end of the year.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements described above.

#### **Financial Highlights**

- Assets exceeded liabilities (net position) in 2015 and 2014 by \$27,500,136 and \$36,094,869, respectively, at the close of each fiscal year.
- For the years ended June 30, 2015 and 2014, net position increased/(decreased) by (\$8,594,733) and \$2,871,785, respectively.
- For the years ended June 30, 2015 and 2014, the Group authorized the use of up to \$6,400,000 and \$3,300,000, respectively, of reserves to maintain the same rates.

In fiscal year 2015, the group experienced an increase in contributions from the prior year, due predominantly to three new members units joining the group. However, net position decreased by approximately \$8.6 million which was predominately due to claims expenses, premium expenses, and medical claims administrative fees exceeding member contributions by \$8.6 million. The Group's investments for the current fiscal year generated \$916,464 of investment income and (\$783,644) of unrealized losses.

The decrease in cash from the prior year is primarily a result of the excess of the Group's operating expenses over operating revenues.

Accounts receivable from member units at 2015 year end were \$304,285 as a result of the timing of payments from various members. As of June 30, 2014 account receivable from member units was \$0.00.

## MAYFLOWER MUNICIPAL HEALTH GROUP

### Management's Discussion & Analysis

June 30, 2015 and 2014

Reinsurance receivable decreased significantly from the prior year. This was due to numerous large claims paid out in the months subsequent to year-end in the prior fiscal year.

#### Condensed Financial Information

A summary of financial information is presented below:

	<u>2015</u>	<u>2014</u>	<u>Percent Change</u>
Cash and investments	\$ 40,435,595	\$ 45,153,578	-10.45%
Other current assets	<u>1,117,571</u>	<u>1,804,276</u>	-38.06%
Total assets	41,553,166	46,957,854	-11.51%
Claims liabilities	4,930,625	3,266,425	50.95%
Claims incurred but not reported	7,900,000	6,900,000	14.49%
Accounts payable	<u>1,222,405</u>	<u>696,560</u>	75.49%
Total liabilities	<u>14,053,030</u>	<u>10,862,985</u>	29.37%
Unrestricted net position	<u>\$ 27,500,136</u>	<u>\$ 36,094,869</u>	-23.81%
<b>Revenues, Expenses and Change in Net Position:</b>			
Contributions and other income	\$ 123,653,217	\$ 114,739,122	7.77%
<i>less</i>			
Claims and premium expense	123,848,375	105,854,709	17.00%
Claims administration expenses	5,935,307	5,538,992	7.16%
Other group expenses	<u>2,512,841</u>	<u>1,664,312</u>	50.98%
Total operating expense	132,296,523	113,058,013	17.02%
<i>plus</i>			
Net investment income	<u>48,573</u>	<u>1,190,676</u>	-95.92%
Change in net position	<u>\$ (8,594,733)</u>	<u>\$ 2,871,785</u>	-399.28%

Note, the "other group expenses" above increased due to an increase in stop loss insurance premiums, the Affordable Care Act's (ACA) regulatory fees, and a 3.3% increase in professional and other administrative expenses. The ACA's regulatory fees include the Transitional Reinsurance Program (TRP) fees, \$682,380 in the year ended June 30, 2015 and \$0.00 in the year ended June 30, 2014, and Patient-Centered Outcomes Research Institution (PCORI) fees, \$18,122 in the year ended June 30, 2015 and \$0.00 in the year ended June 30, 2014.

#### Economic Factors Affecting the Subsequent Year

The Group's Board set the rate structure for fiscal 2016 and 2015 plan participation. The rate structure resulted in rate increases of 2% on Blue Cross active plans and 4% on Harvard Pilgrim active plans as well as decreases of 7.3% on Medex Plans and 4.3% on Harvard Pilgrim Medicare Enhance Plans for 2016. In 2015, there was an overall increase of 0.0%.

**MAYFLOWER MUNICIPAL HEALTH GROUP**

Management's Discussion & Analysis

June 30, 2015 and 2014

**Request for Information**

This financial report is intended to provide an overview of the finances of the Group. Questions about this report or requests for additional information may be directed to the Group's Treasurer at P.O. Box 3390, Plymouth, MA 02361.

**MAYFLOWER MUNICIPAL HEALTH GROUP**

Statement of Net Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
Assets:		
Cash and cash equivalents	\$ 24,098,852	\$ 29,830,391
Investments	16,336,743	15,323,187
Prepaid Expenses	5,109	5,927
Receivables:		
Reinsurance	321,149	1,650,304
Due from member units	304,285	-
Due from other governmental units	487,028	148,045
Total receivables	<u>1,112,462</u>	<u>1,798,349</u>
Total assets	<u>\$ 41,553,166</u>	<u>\$ 46,957,854</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
Liabilities:		
Accounts payable	\$ 1,222,405	\$ 696,560
Claims payable to providers	4,930,625	3,266,425
Claims incurred but not reported	7,900,000	6,900,000
Total liabilities	<u>14,053,030</u>	<u>10,862,985</u>
Unrestricted/total net position	<u>27,500,136</u>	<u>36,094,869</u>
Total liabilities and net position	<u>\$ 41,553,166</u>	<u>\$ 46,957,854</u>

The accompanying notes are an integral part of these financial statements.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
Statement of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Participants' contributions:		
Medical contributions	\$ 118,158,711	\$ 110,944,708
Dental contributions	2,006,174	1,987,439
Total contributions	<u>120,164,885</u>	<u>112,932,147</u>
Other income	3,488,332	1,806,975
Total operating revenues	<u>123,653,217</u>	<u>114,739,122</u>
<b>Operating expenses:</b>		
Claims and premium expense		
Medical claims	121,842,195	103,866,863
Dental premiums	2,006,180	1,987,846
Total claims and premium expense	<u>123,848,375</u>	<u>105,854,709</u>
Medical claims administration fees	5,935,307	5,538,992
Stop loss insurance premiums	1,101,683	976,170
Regulatory fees	700,502	-
Professional fees and other administrative services	710,656	688,142
Total operating expenses	<u>132,296,523</u>	<u>113,058,013</u>
Operating income (loss)	(8,643,306)	1,681,109
<b>Nonoperating revenues:</b>		
Investment income	916,464	929,132
Investment expense	(84,247)	(83,318)
Unrealized (loss)/gain on investments	<u>(783,644)</u>	<u>344,862</u>
Nonoperating income	<u>48,573</u>	<u>1,190,676</u>
Change in net position	(8,594,733)	2,871,785
Net position, beginning of year	36,094,869	33,223,084
Net position, end of year	<u>\$ 27,500,136</u>	<u>\$ 36,094,869</u>

The accompanying notes are an integral part of these financial statements.

**MAYFLOWER MUNICIPAL HEALTH GROUP**

Statement of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash received from participants	\$ 119,522,435	\$ 113,172,449
Cash received for Medicare Part D subsidy and enrollment fees	3,488,332	1,806,975
Cash paid to insurance providers and other vendors	<u>(127,777,323)</u>	<u>(111,642,357)</u>
Net cash provided (used) by operating activities	(4,766,556)	3,337,067
<b>Cash flows from nonoperating activities:</b>		
Interest on deposits	35,017	35,038
Transfer to investment account	<u>(1,000,000)</u>	<u>-</u>
Net cash, provided (used) by investing activities	<u>(964,983)</u>	<u>35,038</u>
Net Increase (decrease) in cash	(5,731,539)	3,372,105
Cash, beginning of year	<u>29,830,391</u>	<u>26,458,286</u>
Cash, end of year	<u><u>\$ 24,098,852</u></u>	<u><u>\$ 29,830,391</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (8,643,306)	\$ 1,681,109
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expense	(642,450)	240,302
Reinsurance receivable	1,329,155	(1,650,304)
Claims payable to providers	1,664,200	3,266,425
Claims incurred but not reported	1,000,000	-
Accounts payable and other	<u>525,845</u>	<u>(200,465)</u>
Net cash provided (used) by operating activities	<u><u>\$ (4,766,556)</u></u>	<u><u>\$ 3,337,067</u></u>

The accompanying notes are an integral part of these financial statements.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

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

*A. Reporting Entity*

Mayflower Municipal Health Group (the Group), formerly operating as the Plymouth County Health Group, is a Massachusetts Municipal Health Insurance joint purchase group formed pursuant to Massachusetts General Laws, Chapter 32B, under a certain joint purchase agreement which became effective July 1, 2008. The Group became operational July 1, 2008. As a municipal entity, the Group is not subject to the provisions of the Employee Retirement Income Security Act of 1974, nor is it subject to federal and state income taxes.

Participating governmental units consist of those municipal groups that have signed an agreement for Joint Negotiation and Purchase of Medical, Health, Dental and Life Coverage governmental agreement. At June 30, 2015 and 2014, participants were the towns of Abington, Bridgewater, Carver/Marion/Wareham RRDD, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Norwell, Pembroke, Plympton, Rochester, Rockland, Scituate, West Bridgewater, and Whitman; Brockton Area Transit, North River Collaborative School, Onset Fire District, Plymouth County Retirement Association, Silver Lake Regional School District, South Shore Vocational School District, South Shore Education Collaborative, South Shore Regional Emergency Communication Center, South Shore Tri-Town Development Corporation, Southeastern Regional Transit Authority, Wareham Fire District, Whitman-Hanson Regional School District and the counties of Plymouth, Bristol, Norfolk. Three new municipal groups were added during fiscal 2015, including Dartmouth Fire District No.3, the Town of Wareham and Greater New Bedford Regional Refuse Management District.

Governmental units may apply for membership and be added to the Group, commencing on a date mutually agreed upon, provided that a Board meeting is held with at least two-thirds of members units in attendance and two-thirds of the units in attendance vote in favor to accept such additional participants.

Upon entering the Group, new members are required to make subscriber contributions. Subscriber contributions are equal to the prior quarter's net assets divided by the number of members to get a per-member amount. The per-member amount is then multiplied by the number of joining members to calculate the subscriber contribution to be made. While this is the standard calculation, the Group has the ability to arrange different methods of payment to reach the same total, as approved by the Steering Committee. The subscriber contributions in fiscal year 2015 were \$492,660 in total which is included in other income. There were no subscriber contributions in 2014.

Any participating governmental unit may withdraw participation at its discretion, but a withdrawal may only be effective on June 30<sup>th</sup> of any Plan Year (July 1 to June 30). Any election by a governmental unit to terminate participation under this agreement requires written notification to the Board of such decision to withdraw no later than the December 31 that precedes the June 30, upon which the withdrawal would be effective. Any participating governmental unit which is 60 days in arrears for payments may be terminated at the Board's discretion. Such termination shall not limit the Board from obtaining payment of all monies in arrears.

There is no liability for premium expense following the effective date of withdrawal or termination of a participating governmental unit's coverage under a contract purchased through the Group, except for the governmental unit's proportional share of any deficit in the trust as of its termination date, or of any premium expense, or any subsequent expense for its covered individuals continued on the plan after termination. The Group's Joint Purchase Agreement provides that a withdrawing or terminated participating governmental unit is not entitled to any surplus in the trust fund.

Contributions to Mayflower Municipal Health Group Trust from participating governmental units are on a monthly basis. Contributions are set by the Board; the rates are set at amounts which, in aggregate, will fully satisfy the funding requirements of the claims trust fund (including, but not limited to, anticipated incurred claims, retention, risk, and trust administration expenses) as established through underwriting and/or actuarial estimates.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

**Note 1. Summary of Significant Accounting Policies (continued)**

*A. Reporting Entity (continued)*

All refunds, surplus, and deficits are dealt with on a proportional and collective basis. In the case of a certified surplus, the Board determines the investment and application of the excess funds. In the case of a certified deficit, additional revenue will be raised and paid by the participating governmental units in proportion to the number of participating governmental unit's employees and retirees covered for a period of one year prior to when the deficit was incurred.

The Group offers the following health insurance options:

Active members

- Blue Cross/Blue Shield - Network Blue (HMO)
- Blue Cross/Blue Shield - Network Blue Rate Saver Plan
- Blue Cross/Blue Shield - Network Blue Benchmark Plan
- Blue Cross/Blue Shield - Blue Care Elect PPO
- Blue Cross/Blue Shield - Blue Care Elect PPO Rate Saver Plan
- Blue Cross/Blue Shield - Blue Care Elect PPO Benchmark Plan
- Harvard/Pilgrim Health (HMO)
- Harvard/Pilgrim Health Rate Saver Plan
- Harvard Pilgrim Health Benchmark Plan

Pensioners

- Blue Cross/Blue Shield - Medex
- Harvard/Pilgrim Health - Medicare Enhance

The Group employs the services of John R. Sharry Incorporated, d/b/a Group Benefits Strategies, to provide certain management, consulting, and technical functions and to audit medical claims paid. The current agreement with Group Benefits Strategies is for a one-year extension ending June 30, 2016, and provides for a monthly fee based on the number of subscribers for each month.

The Group appoints a Treasurer who collects payment from member units, pays claims and vendor expenses, maintains the financial records of the Group, and oversees investments.

*B. Basis of Accounting*

The accompanying financial statements present the net position of the Group at June 30, 2015 and 2014 and the changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America, which recognize revenues from contributions and earnings when earned, and expenditures when liabilities are incurred.

Participants are billed in the form of monthly premiums. Participants' advance contributions are recorded as liabilities until earned.

*C. Accounting Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results will differ from those estimates.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 1. Summary of Significant Accounting Policies (continued)**

*D. Cash and Cash Equivalents and Investments*

Cash and cash equivalents consist of cash on hand, cash in checking, savings or money market accounts, repurchase agreements, and other short-term investments with original maturities of three months or less.

Investments are stated at fair market value. Where applicable, values are based on quotations from national securities exchanges.

*E. Claims Payable to Providers*

Claims payable to providers represents the amounts payable at June 30, 2015 and 2014, to providers based on actual claims being higher than the agreed upon monthly payments. All amounts have been subsequently paid.

*F. Claims Incurred but Not Reported*

The Group's obligations include estimated health claims incurred but not reported at June 30, 2015 and 2014. The Group uses the latest reported claims to record the Group's payable of reported claims and to estimate health claims incurred but not reported as of that date. Actual claims reported differ from claims estimated, but the size of the Group and stop-loss coverage minimizes the risk of a significant difference. Claims' liabilities are reviewed periodically using claims data adjusted for the Group's current experience. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are made.

*G. Reinsurance*

The Group has purchased stop loss insurance (reinsurance) to limit loss exposures. The Group has a specific excess medical and prescription drug claims reinsurance contract with an insurance carrier covering claims paid in excess of \$300,000, specific deductible per individual, and a \$500,000 aggregating deductible, to a lifetime maximum amount payable of \$2,000,000 for 2015. Fiscal year 2014 had a specific deductible per individual of \$300,000, and a \$500,000 aggregating deductible, to a lifetime maximum amount payable of \$2,000,000.

The Group does not include reinsured risks as liabilities unless it is probable that the re-insurer will not cover those risks. Amounts recoverable through re-insurers on paid claims are classified as receivable and as a reduction of claims expense.

*H. Participant Contributions*

Participant contributions represent the monthly premiums, as determined by the Steering Committee, charged to each member unit and include costs for administrative services and insurance charges. Premiums are recorded as revenue during the period in which the Group is obligated to provide services to its members.

*I. Medicare Part D Prescription Drug Benefit Program*

The Group applied for, as Plan Sponsor and receives subsidy payments from the Federal Government, pursuant to the Retiree Drug Subsidy Provisions for Medicare Part D. These amounts have been recorded as part of Other Income (\$3,001,304). Any amounts receivable from the Federal Government for the drug benefit program are classified as a receivable from a governmental unit.

The Group was required to pay \$700,502 in 2015 and \$0.00 in 2014 for the Affordable Care Act's (ACA) fees. The ACA regulatory fees include the Transitional Reinsurance Program (TRP) fees, \$682,380 in the year ended June 30, 2015 and \$0.00 in the year ended June 30, 2014, and the Patient-Centered Outcomes Research Institute (PCORI) fees, \$18,122 in the year ended June 30, 2015 and \$0.00 in the year ended June 30, 2014.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 2. Cash, Cash Equivalents and Investments**

The Group maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Group's deposits may not be returned. The Group does not have a formal deposit policy for custodial credit risk. At June 30, 2015 and 2014 deposits totaled \$22,246,405 and \$29,707,688, respectively. The carrying amount of these deposits at June 30, 2015 and 2014 were \$24,098,852 and \$29,830,391, respectively. Of the deposit amounts, \$23,848,852 and \$29,580,391 were exposed to custodial credit risk at June 30, 2015 and 2014, respectively. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

Investment income reported in the financial statements is made up of the following:

	<u>2015</u>	<u>2014</u>
Interest and Dividend Income	\$429,657	\$459,609
Realized Gain on Investments	<u>486,807</u>	<u>469,523</u>
Total Investment Income	<u>\$916,464</u>	<u>\$929,132</u>

The Group's investments are as follows as of June 30, 2015 and 2014:

<u>Investment Type</u>	<u>2015</u>		<u>2014</u>	
	<u>Fair Market Value</u>	<u>% of Total</u>	<u>Fair Market Value</u>	<u>% of Total</u>
U.S. Government & Agencies	\$ 5,894,074	36%	\$ 6,349,344	42%
Fixed Income Mutual Funds - Domestic	3,110,078	19%	1,823,182	12%
Fixed Income Mutual Funds - International	793,260	5%	922,000	6%
Equity Mutual Funds - Domestic	2,060,860	13%	1,569,190	10%
Equity Mutual Funds - International	661,122	4%	930,970	6%
Equities	2,081,936	13%	2,191,526	14%
Money Market Securities	520,053	3%	298,595	2%
Corporate Bonds	<u>1,215,360</u>	7%	<u>1,238,380</u>	8%
	<u>\$ 16,336,743</u>		<u>\$ 15,323,187</u>	

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Group's investment policy does not cover custodial credit risk.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 2. Cash, Cash Equivalents and Investments (continued)**

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Group's investment policy limits the weighted average maturity of the investments to 3.5 years. The approximate maturities of the Group's debt investments are disclosed in the following table:

2015	Fair				
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>5 to 10 Years</u>
U.S. Government & Agencies	\$ 5,894,074	980,543	2,519,000	1,427,873	966,659
Fixed Income Mutual Funds - Domestic	3,110,078	-	-	-	3,110,078
Fixed Income Mutual Funds - International	793,260	-	-	-	793,260
Money Market Securities	520,053	520,053	-	-	-
Corporate Bonds	<u>1,215,360</u>	<u>307,336</u>	<u>653,753</u>	<u>254,270</u>	<u>-</u>
	<u>\$ 11,532,825</u>	<u>\$ 1,807,932</u>	<u>\$ 3,172,753</u>	<u>\$ 1,682,143</u>	<u>\$ 4,869,997</u>

2014	Fair				
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>5 to 10 Years</u>
U.S. Government & Agencies	\$ 6,349,344	1,074,804	3,116,256	1,215,755	942,529
Fixed Income Mutual Funds - Domestic	1,823,182	-	-	-	1,823,182
Fixed Income Mutual Funds - International	922,000	-	-	-	922,000
Money Market Securities	298,595	298,595	-	-	-
Corporate Bonds	<u>1,238,380</u>	<u>-</u>	<u>572,750</u>	<u>665,630</u>	<u>-</u>
	<u>\$ 10,631,501</u>	<u>\$ 1,373,399</u>	<u>\$ 3,689,006</u>	<u>\$ 1,881,385</u>	<u>\$ 3,687,711</u>

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2015 AND 2014

**Note 2. Cash, Cash Equivalents and Investments (continued)**

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed. Equity securities and equity mutual funds are not rated as to credit risk. The Group's investment policy limits its investment choices to those with no less than AA rated quality. Credit risk of the Group's investments are summarized below.

2015 <u>Investment Type</u>	Market <u>Value</u>	Exempt from <u>Disclosure</u>	<u>S&amp;P Ratings as of Year End</u>		
			<u>AAA to AA</u>	<u>A to B</u>	<u>Not Rated</u>
U.S. Government & Agencies	\$ 5,894,074	\$ 5,894,074	\$ -	\$ -	\$ -
Fixed Income Mutual Funds - Domestic	3,110,078	-	814,499	2,295,579	-
Fixed Income Mutual Funds - International	793,260	-	-	793,260	-
Money Market Securities	520,053	-	520,053	-	-
Corporate Bonds	<u>1,215,360</u>	<u>-</u>	<u>111,620</u>	<u>1,103,740</u>	<u>-</u>
	<u>\$ 11,532,825</u>	<u>\$ 5,894,074</u>	<u>\$ 1,446,172</u>	<u>\$ 4,192,579</u>	<u>\$ -</u>

2014 <u>Investment Type</u>	Fair Market <u>Value</u>	Exempt from <u>Disclosure</u>	<u>S&amp;P Ratings as of Year End</u>		
			<u>AA to AAA</u>	<u>A to B</u>	<u>Not Rated</u>
U.S. Government & Agencies	\$ 6,349,344	\$ 6,349,344	\$ -	\$ -	\$ -
Fixed Income Mutual Funds - Domestic	1,823,182	-	453,801	1,369,381	-
Fixed Income Mutual Funds - International	922,000	-	-	922,000	-
Money Market Securities	298,595	-	298,595	-	-
Corporate Bonds	<u>1,238,380</u>	<u>-</u>	<u>-</u>	<u>1,238,380</u>	<u>-</u>
	<u>\$ 10,631,501</u>	<u>\$ 6,349,344</u>	<u>\$ 752,396</u>	<u>\$ 3,529,761</u>	<u>\$ -</u>

*Concentration of credit risk* – The Group's investment policy does not limit the amount that can be invested in any one issuer or security.

*Foreign credit risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. For 2015, of the Group's \$2,721,982 invested in equity mutual funds, \$661,122 is in international funds. The Group also invests \$3,903,338 in fixed income mutual funds, \$793,260 of which is invested in international funds. In 2014 the Group had \$2,500,160 of equity mutual funds and \$2,745,182 of fixed income mutual funds of which \$930,970 and \$922,000 were invested in international funds, respectively. The Group's investment policy does not address foreign credit risk.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 3. Health Claims Incurred but not Reported**

The Group establishes a liability for both reported and unreported insured events, which include estimates of both future payments of losses and related adjustment expenses, if any. Changes in the claim liability amount in fiscal 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Unpaid claims and claims' adjustment expenses—beginning of year	\$ 6,900,000	\$ 6,900,000
Incurred claims and claims' adjustment expenses:		
Provision for insured events of the current fiscal year	121,398,538	104,107,551
Increase/(Decrease) in provision for insured events of prior fiscal years	<u>443,657</u>	<u>(240,688)</u>
	121,842,195	103,866,863
Payments:		
Claims and claims' adjustment expenses attributable to insured events of the current fiscal year	(113,498,538)	(97,207,551)
Claims and claims' adjustment expenses attributable to insured events of prior fiscal years	<u>(7,343,657)</u>	<u>(6,659,312)</u>
	<u>(120,842,195)</u>	<u>(103,866,863)</u>
Total unpaid claims and claims' adjustment expenses—end of year	<u>\$ 7,900,000</u>	<u>\$ 6,900,000</u>

**Note 4. Subsequent Events**

The Group has evaluated subsequent events through January 19, 2016 which is the date the financial statements were issued.

**Note 5. GASB Pronouncements Recently Issued**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Group believes are applicable to its financial statements.

Current pronouncements

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which was required to be implemented in fiscal year 2015. The pronouncement required governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhanced accountability and transparency through revised and additional note disclosures and required supplementary information. This procurement had no effect on the Group in the current year.

The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68*, which was required to be implemented in fiscal year 2015. The pronouncement addressed application of the transition provisions of Statement No. 68, associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This procurement had no effect on the Group in the current year.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 5. GASB Pronouncements Recently Issued (continued)**

Future pronouncements

The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Group will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2016. The pronouncement objective is to improve the usefulness of information about other postemployment benefits (OPEB) included in the general purpose external financial reports. The Group will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Group will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in fiscal year 2017. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (GAAP). The Group will evaluate the implementation of the pronouncement as applicable.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
 Claims' Development Information

The table on this page illustrates how the Group's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Group as of the end of the last fiscal year. The rows in the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues pulled from TB. (2) This line shows each fiscal year's administrative and other operating costs of the Fund including, overhead and claims' expense not allocated to individual claims. (3) This line shows the Group's incurred self-insured claims and allocated claims' adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event triggered coverage under the contract occurred (called policy year). (4) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, revaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims' amount to the originally established (line 3) and shows whether this latest estimate of claims' cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>
1. Earned participant contributions investment and other revenues	120,997,102 \$	113,777,961 \$	115,158,122 \$	119,748,556 \$	111,942,263 \$	101,779,383 \$	101,001,989
2. Administrative other operating expenses	8,448,148 \$	7,203,304 \$	7,339,901 \$	7,601,019 \$	7,028,011 \$	7,453,876 \$	6,946,096
3. Estimated incurred, self-insured claims and expense, end of fiscal year	121,398,538 \$	104,107,551 \$	99,858,198 \$	104,180,804 \$	97,229,423 \$	96,143,767 \$	98,302,296
4. Paid (cumulative) as of:							
End of fiscal year	\$ 113,498,538	\$ 97,207,551	\$ 92,958,198	\$ 97,280,804	\$ 89,529,423	\$ 89,343,767	\$ 98,302,296
One year later		\$ 104,551,208	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,906,250	\$ 98,182,786
Two years later			\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944	\$ 98,093,244
Three years later				\$ 103,851,997	\$ 97,009,100	\$ 95,877,944	\$ 98,070,243
Four years later					\$ 97,009,100	\$ 95,877,944	\$ 98,070,243
Five years later						\$ 95,877,944	\$ 98,070,243
Six years later							\$ 98,070,243
5. Re-estimated incurred, self-insured claims and expense:							
End of fiscal year	\$ 121,398,538	\$ 104,107,551	\$ 99,858,198	\$ 104,180,804	\$ 97,229,423	\$ 96,143,767	\$ 98,302,296
One year later		\$ 104,551,208	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,906,250	\$ 98,182,786
Two years later			\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944	\$ 98,093,244
Three years later				\$ 103,851,997	\$ 97,009,100	\$ 95,877,944	\$ 98,070,243
Four years later					\$ 97,009,100	\$ 95,877,944	\$ 98,070,243
Five years later						\$ 95,877,944	\$ 98,070,243
Six years later							\$ 98,070,243
6. (Increase) decrease in estimated, incurred, self-insured claims and expense from the end of the original policy year.		\$ (443,657)	\$ 240,688	\$ 328,807	\$ 220,323	\$ 237,517	\$ 119,510