

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**BASIC FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Steering Committee  
Mayflower Municipal Health Group

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Mayflower Municipal Health Group as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Mayflower Municipal Health 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 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 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 the Mayflower Municipal Health Group, as of June 30, 2019 and 2018, and the respective 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.

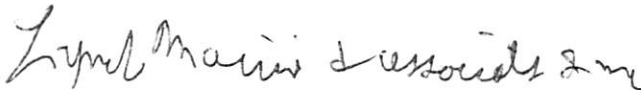
## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and claims development information on pages v-vi and 13, respectively 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 Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020, on our consideration of the 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 solely 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 the effectiveness of the Mayflower Municipal Health Group's 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 the Mayflower Municipal Health Group's internal control over financial reporting and compliance.



Norwell, Massachusetts  
April 30, 2020



**INDEPENDENT AUDITOR'S 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 the Mayflower Municipal Health Group, as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Mayflower Municipal Health Group's basic financial statements, and have issued our report thereon dated April 30, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mayflower Municipal Health 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayflower Municipal Health Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mayflower Municipal Health 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 Mayflower Municipal Health 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 Marini & Associates Inc*

Norwell, Massachusetts

April 30, 2020



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MAYFLOWER MUNICIPAL HEALTH GROUP**

### **Management's Discussion & Analysis**

**June 30, 2019 and 2018**

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 years ended June 30, 2019 and 2018. 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 statements of net position present information on the assets and liabilities of the Group, with the difference being reported as net position.

The statements of revenues, expenses, and changes in net position report 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 statements of cash flows report 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 financial statements. The notes to the financial statements follow the basic financial statements described above.

#### **Financial Highlights**

- Assets exceeded liabilities (net position) as of June 30, 2019 and 2018 by \$23,647,644 and \$16,039,195, respectively. Net position represents 24.73% and 15.13% of total operating expenses as of June 30, 2019 and 2018, respectively.
- For the years ended June 30, 2019 and 2018, net position increased by \$7,608,449 and increased by \$5,265,866, respectively.
- The claims liability for the years ended June 30, 2019 and 2018 were \$6,350,000 and \$6,950,000, respectively, representing an estimate for claims incurred but not reported.
- Reinsurance and provider receivables were \$1,658,356 and \$3,273,826 at the years ended June 30, 2019 and 2018, respectively. The decrease during the year ended June 30, 2019 was primarily a result of the monthly deposit with insurance providers exceeding actual claims by \$883,966, whereas, for the year ended June 30, 2018, the monthly deposit with insurance providers exceeded actual claims by \$2,099,589.
- For the years ended June 30, 2019 and June 30, 2018, the Group authorized the use of up to \$1,800,000 and \$3,600,000, respectively, of net position to maintain rates.

#### **Condensed Financial Information**

A summary of financial information is presented below (certain amounts for the prior year have been reclassified to conform to current year presentation):



## MAYFLOWER MUNICIPAL HEALTH GROUP

### Management's Discussion & Analysis

June 30, 2019 and 2018

#### Assets, Liabilities, Deferred Inflows of Resources and Net Position:

	<u>2019</u>	<u>2018</u>
Cash and investments	\$ 30,103,355	\$ 21,783,215
Other current assets	<u>1,737,044</u>	<u>3,703,739</u>
Total assets	31,840,399	25,486,954
Accounts payable	1,813,996	1,725,110
Claims incurred but not reported	<u>6,350,000</u>	<u>6,950,000</u>
Total liabilities	<u>8,163,996</u>	<u>8,675,110</u>
Deferred inflows of resources	<u>28,759</u>	<u>772,649</u>
Unrestricted net position	<u>\$ 23,647,644</u>	<u>\$ 16,811,844</u>

#### Revenues, Expenses, and Changes in Net Position:

Contributions and other	\$ 102,324,061	\$ 110,771,537
<i>less</i>		
Claims expense	89,162,732	99,468,583
Claims administration expenses	3,888,507	4,241,930
Other group expenses	<u>2,591,034</u>	<u>2,296,197</u>
Total operating expense	95,642,273	106,006,710
<i>plus</i>		
Net investment income	<u>926,661</u>	<u>501,039</u>
Change in net position	<u>\$ 7,608,449</u>	<u>\$ 5,265,866</u>

During the year ended June 30, 2019 and June 30, 2018, the ACA regulatory fees include the Patient-Centered Outcomes Research Institute (PCORI) fees of \$36,208 and \$34,813, respectively, which were included in other group expenses above. The Group was no longer subject to the Transitional Reinsurance Program (TRP) fees.

#### Economic Factors Affecting the Subsequent Year

The Group's Board set the rate structure for plan participation. For fiscal year 2020, the Group's Board approved rate increases of 1.5% for each plan.

The Group is actively participating in ongoing wellness programs to promote healthier lifestyles and ultimately reduce health claims costs, as well as providing opportunities to members to purchase prescriptions through mail orders to reduce claims costs to the Group and members and participating in other cost reducing measures with various vendors.

#### Requests 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 Steering Committee at 65 Cordage Park Circle, Suite 110, Plymouth, MA 02360.

## **BASIC FINANCIAL STATEMENTS**

**MAYFLOWER MUNICIPAL HEALTH GROUP****STATEMENTS OF NET POSITION**

AS OF JUNE 30, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 13,320,539	\$ 5,857,776
Investments	16,782,816	15,925,439
Receivables:		
Reinsurance and due from provider	1,658,356	3,273,826
Due from members	6	168,963
Medicare Part D subsidy	68,219	257,855
Total receivables	1,726,581	3,700,644
Prepaid expenses and deposits	10,463	3,095
Total assets	31,840,399	25,486,954
<b><u>LIABILITIES</u></b>		
Accounts payable	1,813,996	1,725,110
Estimated claims incurred but not reported	6,350,000	6,950,000
Total liabilities	8,163,996	8,675,110
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Unearned member premiums	28,759	772,649
<b><u>NET POSITION</u></b>		
Unrestricted/total net position	\$ 23,647,644	\$ 16,039,195

See Independent Auditor's Report.

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

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating revenues:</b>		
Member contributions:		
Medical contributions	\$ 100,544,950	\$ 108,703,928
Dental and vision contributions	1,710,892	1,609,066
Total contributions	<u>102,255,842</u>	<u>110,312,994</u>
Other income	68,219	458,543
Total operating revenues	<u>102,324,061</u>	<u>110,771,537</u>
<b>Operating expenses:</b>		
Claims and premium expense:		
Medical claims	87,451,908	97,860,181
Dental and vision premiums	1,710,824	1,608,402
Total claims and premium expense	<u>89,162,732</u>	<u>99,468,583</u>
Medical claims administration fees	3,888,507	4,241,930
Stop loss insurance premiums	1,798,568	1,543,870
Regulatory fees	36,208	34,813
Professional fees and other administrative services	756,258	717,514
Total operating expenses	<u>95,642,273</u>	<u>106,006,710</u>
Operating income (loss)	<u>6,681,788</u>	<u>4,764,827</u>
<b>Nonoperating revenues (expenses):</b>		
Investment income	907,339	769,787
Investment expense	(30,000)	(51,922)
Net unrealized appreciation (depreciation) of investments	49,322	(216,826)
Nonoperating income	<u>926,661</u>	<u>501,039</u>
Change in net position	7,608,449	5,265,866
Net position, beginning of year	16,039,195	10,773,329
Net position, end of year	<u><u>\$ 23,647,644</u></u>	<u><u>\$ 16,039,195</u></u>

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Cash flows from operating activities:</b>		
Cash received from participants	\$ 101,870,455	\$ 111,040,515
Cash received for Medicare Part D subsidy and enrollment fees	68,219	458,543
Cash paid to insurance providers and other vendors	(94,545,195)	
Net cash provided by operating activities	<u>7,393,479</u>	<u>2,174,886</u>
<b>Cash flows from investing activities:</b>		
Cash provided by investment income, net investment expenses	877,339	717,865
Transfers from investment account		750,000
Cash used to purchase investments	(808,055)	(689,049)
Net cash provided by investing activities	<u>69,284</u>	<u>778,816</u>
Net increase in cash and cash equivalents	<u>7,462,763</u>	<u>2,953,702</u>
 Cash and cash equivalents, beginning of year	 <u>5,857,776</u>	 <u>2,904,074</u>
Cash and cash equivalents, end of year	<u><u>\$ 13,320,539</u></u>	<u><u>\$ 5,857,776</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 6,681,788	\$ 4,764,827
Changes in operating assets and liabilities:		
Decrease (Increase) of reinsurance receivable	1,615,470	(1,657,233)
Decrease of other receivables, prepaid expense and deposits	351,225	18,982
(Decrease)/Increase of unearned member premiums	(743,890)	708,539
(Decrease) of claims payable to providers		(1,110,196)
(Decrease) of claims incurred but not reported	(600,000)	(1,500,000)
Increase of accounts payable and other	88,886	949,967
Net cash provided (used) by operating activities	<u><u>\$ 7,393,479</u></u>	<u><u>\$ 3,832,119</u></u>

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**



**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**A. Reporting Entity**

Mayflower Municipal Health Group (the 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 on July 1, 2008. The Group became operational on 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, 2019, participants included the towns of Bridgewater, Halifax, Hanover, Hanson, Hull, Kingston, Marshfield, Pembroke, Plympton, Rochester, Wareham, West Bridgewater, and Whitman; Brockton Area Transit, Carver/Marion/Wareham RRDD, Dartmouth Fire District No. 3, Greater Attleboro Taunton Regional Authority, Greater New Bedford Regional Refuse Management District, North River Collaborative School, Onset Fire District, Plymouth County Retirement Association, Silver Lake Regional School District, South Shore Educational Collaborative, South Shore Regional Emergency Communication Center, South Shore Vocational School District, Southeastern Regional Transit Authority, Southfield Redevelopment Authority, Wareham Fire District, Whitman-Hanson Regional School District and the counties of Norfolk and Plymouth. At June 30, 2018, participants included the towns of Bridgewater, Halifax, Hanover, Hanson, Hull, Kingston, Marshfield, Norwell, Pembroke, Plympton, Rochester, Wareham, West Bridgewater, and Whitman; Brockton Area Transit, Carver/Marion/Wareham RRDD, Dartmouth Fire District No. 3, Greater Attleboro Taunton Regional Authority, Greater New Bedford Regional Refuse Management District, North River Collaborative School, Onset Fire District, Plymouth County Retirement Association, Silver Lake Regional School District, South Shore Educational Collaborative, South Shore Regional Emergency Communication Center, South Shore Vocational School District, Southeastern Regional Transit Authority, Southfield Redevelopment Authority, Wareham Fire District, Whitman-Hanson Regional School District, and the counties of Bristol, Norfolk and Plymouth.

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 voting in favor to accept such additional participants.

Upon entering the Group, new members are required to make contributions. Contributions are equal to the prior first or third quarter's net assets divided by the number of subscribers in the Group to derive a per-subscriber amount. The per-subscriber amount is then multiplied by the number of joining subscribers to calculate the 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 contributions, if any, are included in other income.

Any participating governmental unit may withdraw participation at its discretion, but a withdrawal may only be effective at the close of 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<sup>st</sup> that precedes the June 30<sup>th</sup>, 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. Effective July 1, 2018, the Town of Norwell and County of Bristol withdrew from the Group. Effective July 1, 2017, the Town of Hingham, the Town of Rockland, the Town of Abington, the Town of Scituate, and the Abington-Rockland Water Works withdrew from the Group.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

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 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.

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 self-insured plans:

- Blue Cross/Blue Shield - Network Blue HMO Traditional
- Blue Cross/Blue Shield - Network Blue NE HMO Rate Saver
- Blue Cross/Blue Shield - Network Blue NE HMO Benchmark
- Blue Cross/Blue Shield - Blue Care Elect PPO -Traditional
- Blue Cross/Blue Shield - Blue Care Elect PPO Rate Saver
- Blue Cross/Blue Shield - Blue Care Elect PPO Benchmark
- Blue Cross/Blue Shield - Medex II
- Harvard Pilgrim Health - HMO Traditional
- Harvard Pilgrim Health - HMO Rate Saver
- Harvard Pilgrim Health - HMO ChoiceNet Benchmark

These plans are administered by Blue Cross/Blue Shield and Harvard Pilgrim for monthly administration fees based on the number of individual and family plan subscribers for a particular month.

The Group offers the following insured, premium based plans:

- Blue Medicare RX PDP
- Delta Dental PPO Plus Premier
- Blue Cross/Blue Shield - Blue 20/20

The Group employs the services of Gallagher Benefit Services, Inc. (GBS) (formerly John R. Sharpy 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 GBS is for the term ending June 30, 2020, and provides for a monthly fee based on the number of subscribers. The agreement may be terminated by either party, at any time with 30 days prior, written notice.

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

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**B. Basis of Accounting**

The basic financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for the establishing governmental accounting and financial reporting principles.

Mayflower Municipal Health Group is a special purpose government engaged only in business-type activities. The financial statements are prepared using the accrual basis of accounting under which deductions/expenses are recorded when the liability is incurred and additions are recorded in the accounting period in which they are earned and become measurable.

Member contributions include the monthly premiums charged to each participating governmental unit and include costs for administrative services as well as insurance charges. Contributions are recorded as revenue during the period in which the Group is obligated to provide services to its members. The unearned portion of contributions for a coverage period is reported as advance collections and are recorded as deferred inflows 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.

**D. Fair Value Measurement**

The Group measures assets and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or liability, including the assumption of risk. The following are levels considered:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 pricing inputs that are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- Level 3 unobservable pricing inputs for the asset or liability that should only be used if relevant Level 1 and Level 2 inputs are not available.

**E. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents consist of cash on hand and cash in checking and savings accounts.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended, and should be measured at the net asset value per share provided by the pool.

**F. Due from/Claims Payable to Providers**

Amounts due from providers represent quarterly settlement of monthly payments to providers in excess of actual claims at June 30, 2019 and 2018. Claims payable to providers represent the amounts payable at June 30, 2019 and 2018, to providers based on quarterly settlement of actual claims being higher than the agreed upon monthly payments.

**G. Claims Incurred but Not Reported**

The Group's obligations include estimated health claims incurred but not reported at June 30, 2019 and 2018. The Group uses the latest reported claims to record the Group's outstanding liability and to estimate health claims incurred but not reported. Actual claims reported differ from claims estimated, but the Group's size and stop-loss coverage minimize 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.

**H. 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, with no lifetime maximum amount per participant for the years ended June 30, 2019 and June 30, 2018.

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 reinsurance claims receivable and as a reduction of claims expense.

**I. Participant Contributions**

Participant contributions represent the monthly premiums, as voted by all member units, 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.

**J. Affordable Care Act and Patient Centered Outcomes Research Institute Fees**

The Group was required to pay \$36,208 and \$34,813 in the years ending June 30, 2019 and 2018, respectively, for the Affordable Care Act's (ACA) and Patient-Centered Outcomes Research Institute's (PCORI) fees.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2019 deposits totaled \$13,321,474 and had a carrying amount of \$13,320,539. At June 30, 2018 deposits totaled \$5,858,547 and had a carrying amount of \$5,857,776. Differences between deposit amounts and carrying amounts generally represent outstanding checks. As of June 30, 2019 and 2018, \$250,000 of the Group's deposits were covered by depository insurance and the balance was subject to a public authority deposit account pledge agreement signed with Rockland Trust Company.

The Group's investments as of June 30, 2019 and 2018 are as follows:

<b>Investment Type</b>	<b>Fair Value Measurement</b>	<b>June 30, 2019 Value</b>	<b>June 30, 2018 Value</b>
U.S. Government & Agencies	Level 1	\$	\$ 5,166,258
Fixed Income Mutual Funds - Domestic	Level 1	10,553,217	3,099,521
Fixed Income Mutual Funds - International	Level 1		707,211
Equity Mutual Funds - Domestic	Level 1	4,466,674	1,771,896
Equity Mutual Funds - International	Level 1	1,720,990	752,255
Equities	Level 1		2,420,168
Money Market	Amortized Cost	41,935	148,886
Corporate Bonds	Level 1		1,859,244
		<u>\$ 16,782,816</u>	<u>\$ 15,925,439</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.

*Interest rate risk* is the risk that changes in market interest rates 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 years. The approximate maturities of the Group's investments as of June 30, 2019 and June 30, 2018 are disclosed in the following tables:

**As of June 30, 2019:**

<b>Investment Type</b>	<b>Value</b>	<b>Less than 1 Year</b>	<b>1 to 3 Years</b>	<b>3 to 5 Years</b>	<b>5 to 10 Years</b>	<b>10+ Years</b>
Fixed Income Mutual Funds - Domestic	\$ 10,553,217	\$ 1,716,756	\$ 4,411,125	\$ 3,343,940	\$ 1,026,369	\$ 55,027
Money Markets	41,935	41,935				
	<u>\$ 10,595,152</u>	<u>\$ 1,758,691</u>	<u>\$ 4,411,125</u>	<u>\$ 3,343,940</u>	<u>\$ 1,026,369</u>	<u>\$ 55,027</u>

**As of June 30, 2018:**

<b>Investment Type</b>	<b>Value</b>	<b>Less than 1 Year</b>	<b>1 to 3 Years</b>	<b>3 to 5 Years</b>	<b>5 to 10 Years</b>
U.S. Government & Agencies	\$ 5,166,258	\$ 1,802,969	\$ 1,789,563	\$ 533,007	\$ 1,040,719
Fixed Income Mutual Funds - Domestic	3,099,521			823,652	2,275,869
Fixed Income Mutual Funds - International	707,211				707,211
Money Markets	148,886	148,886			
Corporate Bonds	1,859,244	398,998	902,566	557,680	
	<u>\$ 10,981,120</u>	<u>\$ 2,350,853</u>	<u>\$ 2,692,129</u>	<u>\$ 1,914,339</u>	<u>\$ 4,023,799</u>

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
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**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, money markets, and equity mutual funds are not rated as to credit risk. The Group's investment policy limits its investments in short-term commercial paper at no less than AA rated quality. The Group does not restrict any other investments.

Credit risk of the Group's investments as of June 30, 2019 and June 30, 2018 is summarized in the following tables:

**As of June 30, 2019:**

Investment Type	Value	Exempt from Disclosure	S&P Ratings as of Year End			
			AAA to AA	A to B	B to C	Not Rated
Fixed Income Mutual Funds - Domestic	\$ 10,553,217	\$ 1,178,165	\$ 1,578,828	\$ 6,007,741	\$ 150,323	\$ 1,638,160
Money Markets	41,935					41,935
	<u>\$ 16,782,816</u>	<u>\$ 1,178,165</u>	<u>\$ 1,578,828</u>	<u>\$ 6,007,741</u>	<u>\$ 150,323</u>	<u>\$ 7,867,759</u>

Amounts reported as exempt from disclosure are investments of fixed income mutual funds in U.S. Government Securities.

**As of June 30, 2018:**

Investment Type	Value	Exempt from Disclosure	S&P Ratings as of Year End		
			AAA to AA	A to B	Not Rated
U.S. Government & Agencies	\$ 5,166,258	\$ 5,166,258	\$	\$	\$
Fixed Income Mutual Funds - Domestic	3,099,521		858,058	2,241,463	
Fixed Income Mutual Funds - International	707,211			707,211	
Money Markets	148,886				148,886
Corporate Bonds	1,859,244		348,720	1,510,524	
	<u>\$ 10,981,120</u>	<u>\$ 5,166,258</u>	<u>\$ 1,206,778</u>	<u>\$ 4,459,198</u>	<u>\$ 148,886</u>

*Concentration of credit risk* is the risk that the Group's potential losses from credit risk are heightened if a significant portion of the Group's funds are invested with a single issuer or institution. As mentioned above in credit risk, obligations of or guaranteed by the U.S. Government are not considered to be exposed to credit risk. The Group's investment policy does not limit the amount that can be invested in any one issuer or security.

*Foreign currency risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2019, the Group invested \$1,720,990 in international equity mutual funds. As of June 30, 2018, the Group invested \$752,255 in international equity mutual funds and \$707,211 in international fixed income mutual funds. The Group's investment policy does not address foreign credit risk.

Investment income reported in the financial statements as of June 30, 2019 and 2018 is made up of the following:

	2019	2018
Interest and dividend income	\$ 511,869	\$ 423,985
Realized gain on investments	395,470	345,802
Total investment income	<u>\$ 907,339</u>	<u>\$ 769,787</u>

In July, 2018 the Group changed investment managers from Rockland Trust to US Bank.



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**Note 3. Receivables**

As of June 30, 2019 and 2018, receivables of the Group consisted of the following:

	<u>2019</u>	<u>2018</u>
Reinsurance	\$ 774,272	\$1,174,237
Due from providers	884,084	2,099,589
Due from members	6	168,963
Medicare Part D subsidy	<u>68,219</u>	<u>257,855</u>
	<u>\$1,726,581</u>	<u>\$3,700,644</u>

The Group pays Blue Cross Blue Shield and Harvard Pilgrim a level, monthly payment each month to cover the expected cost of claims for that month. The amount represents approximately one month of projected claims for the plans. There is a quarterly reconciliation and settle-up against actual claims payments made by the providers on behalf of the Group.

As of June 30, 2019, \$883,966 was due from Harvard Pilgrim and as of June 30, 2018, \$1,721,093 was due from Blue Cross Blue Shield and \$378,496 was due from Harvard Pilgrim.

**Note 4. 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 amounts in fiscal years 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Unpaid claims and claims' adjustment expenses—beginning of year	\$ 6,950,000	\$ 8,450,000
Incurred claims and claims' adjustment expenses:		
Provision for insured events of the current fiscal year	88,989,733	99,046,843
Increase/(Decrease) in provision for insured events for prior fiscal years	<u>(1,537,825)</u>	<u>(1,186,662)</u>
	87,451,908	97,860,181
Payments:		
Claims and claims' adjustment expenses attributable to insured events of the fiscal year	(82,639,733)	(92,096,843)
Claims and claims' adjustment expenses attributable to insured events of prior fiscal years	<u>(5,412,175)</u>	<u>(7,263,338)</u>
	<u>(88,051,908)</u>	<u>(99,360,181)</u>
Total unpaid claims and claims' adjustment expenses—end of year	<u>\$ 6,350,000</u>	<u>\$ 6,950,000</u>

**Note 5. Fund Balance Policy**

The Group has a formally adopted policy that requires the Group to maintain an unreserved minimum fund balance equal to 10% of total annual claims based on paid claims for the most recent 12 months. The Group had unreserved fund balance of \$23,647,944 and \$16,039,195 as of June 30, 2019 and 2018, respectively, which was greater than 10% of total annual claims based on paid claims for the most recent 12 months or \$8,745,191 or \$9,786,018 for the year ended June 30, 2019 and 2018, respectively. Subsequent to year end, the Group approved an unreserved fund balance guideline of 15% of total operating expenses based on the most recent audit.

**MAYFLOWER MUNICIPAL HEALTH GROUP**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 6. Operating Lease**

The Group's leasing activities consist primarily of a rental property under the terms of an agreement with the lessor.

Effective March 1, 2019, the Group entered into a new five (5) year agreement, with a renewal option for two (2) additional one (1) year terms to rent office space at 65 Cordage Park Circle, Suite 110, Plymouth, MA. The Group includes the rent expense in the professional fees and other administrative expense account. Prior to this agreement, the Group shared office space with the Plymouth County Retirement Association. The rent expense for June 30, 2019 and June 30, 2018 amounted to \$21,428 and \$17,599, respectively. In addition, the Group incurred approximately \$63,000 of leasehold improvements/buildout costs in connection with agreement and purchases of furniture and equipment, which has been included in professional fees and other administrative expense account.

The future minimum lease payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 29,283
2021	\$ 29,785
2022	\$ 30,455
2023	\$ 31,459
2024	\$ 21,419

**Note 7. Commitments and Contingencies**

Management of the Group is not aware of any pending or contemplated lawsuits against the Group, as of the date of the financial statements, which would result in a material loss to the Group.

The activities of all plans are subject to examination by appropriate state, federal and other oversight agencies.

**Note 8. GASB Pronouncements Recently Issued**

The Group believes there are no current GASB pronouncements as of the date of these financial statements which will be applicable to its financial statements.

**Note 9. Subsequent Events**

Management of the Group has evaluated all subsequent events through April 30, 2020, the date the financial statements were available to be issued. Except for the items disclosed in these notes, and reported below, management has determined no other significant or material events have occurred which are required to be reported or disclosed in the financial statements.

**State of Emergency – COVID-19**

On January 31, 2020, the United States Health and Human Services declared a public health emergency for the entire United States in responding to the world-wide outbreak of the 2019 novel Coronavirus (COVID-19), a contagious and at times fatal respiratory disease. On March 13, 2020, the President of the United States declared an emergency regarding the COVID-19 outbreak.

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On March 10, 2020, the Governor of the Commonwealth of Massachusetts, declared a State of Emergency, to remain in effect until further notice. The COVID-19 outbreak was characterized as a pandemic by the World Health Organization (WHO) on March 11, 2020. On March 15, 2020 the Governor issued an Order requiring all public and private elementary and secondary (K-12) schools in the Commonwealth to suspend normal, in-person instruction. On March 18, 2020 the Governor issued an Order requiring all child-care programs suspend normal operations. On March 23, 2020, the Governor issued an Order closing certain non-essential workplaces and the prohibition of gatherings of more than 10 people. These orders were extended at least through May 18, 2020, subject to further evaluation of the Governor.

Given impact of the outbreak, financial markets and economies both nationally and world-wide have experienced extreme volatility. The Group's investments are expected to be impacted accordingly.

The ultimate effect upon the Group cannot be determined as of the date of these financial statements.

**New Plan Offering**

Effective July 1, 2019, the Group will offer a Qualified High Deductible Health Plan (QHDHP) with a Health Savings Account (HSA).

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, net of investment expenses. (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, reevaluation 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>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<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>
1. Earned participant contributions investment and other revenues	\$ 103,624,402	\$ 111,030,859	\$ 141,430,014	\$ 123,801,727	\$ 120,997,102	\$ 113,777,961	\$ 115,158,122	\$ 119,748,556	\$ 111,942,263	\$ 101,779,383
2. Administrative other operating expenses	\$ 6,479,541	\$ 6,538,127	\$ 8,791,120	\$ 8,369,765	\$ 8,448,148	\$ 7,203,304	\$ 7,339,901	\$ 7,601,019	\$ 7,028,011	\$ 7,453,876
3. Estimated incurred, self-insured claims and expense, end of fiscal year	\$ 88,989,733	\$ 99,046,843	\$ 135,997,482	\$ 130,453,610	\$ 121,398,538	\$ 104,107,551	\$ 99,858,198	\$ 104,180,804	\$ 97,229,423	\$ 96,143,767
4. Paid (cumulative) as of:										
End of fiscal year	\$ 82,639,733	\$ 92,096,843	\$ 127,547,482	\$ 122,153,610	\$ 113,498,538	\$ 97,207,551	\$ 92,958,198	\$ 97,280,804	\$ 89,529,423	\$ 89,343,767
One year later		\$ 97,593,610	\$ 134,977,759	\$ 130,219,692	\$ 121,640,804	\$ 104,551,208	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,906,250
Two years later			\$ 134,875,680	\$ 130,087,458	\$ 121,675,189	\$ 105,212,419	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Three years later				\$ 130,112,899	\$ 121,650,400	\$ 105,220,335	\$ 99,584,215	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Four years later					\$ 121,642,446	\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Five years later						\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Six years later							\$ 99,584,143	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Seven years later								\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Eight years later									\$ 97,009,100	\$ 95,877,944
Nine years later										\$ 95,877,944
5. Re-estimated incurred, self-insured claims and expense:										
End of fiscal year	\$ 88,989,733	\$ 99,046,843	\$ 135,997,482	\$ 130,453,610	\$ 121,398,538	\$ 104,107,551	\$ 99,858,198	\$ 104,180,804	\$ 97,229,423	\$ 96,143,767
One year later		\$ 97,593,610	\$ 134,977,759	\$ 130,219,692	\$ 121,640,804	\$ 104,551,208	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,906,250
Two years later			\$ 134,875,680	\$ 130,087,458	\$ 121,675,189	\$ 105,212,419	\$ 99,617,510	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Three years later				\$ 130,112,899	\$ 121,650,400	\$ 105,220,335	\$ 99,584,215	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Four years later					\$ 121,642,446	\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Five years later						\$ 105,210,419	\$ 99,584,143	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Six years later							\$ 99,584,143	\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Seven years later								\$ 103,851,997	\$ 97,009,100	\$ 95,877,944
Eight years later									\$ 97,009,100	\$ 95,877,944
Nine years later										\$ 95,877,944
6. (Increase) decrease in estimated, incurred, self-insured claims and expense from the end of the original policy year.		\$ 1,453,233	\$ 1,121,802	\$ 340,711	\$ (243,908)	\$ (1,102,868)	\$ 274,055	\$ 328,807	\$ 220,323	\$ 265,823

See Independent Auditor's Report.