

MINUTEMAN-NASHOBA HEALTH GROUP
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED MAY 31, 2009 AND MAY 31, 2008
WITH INDEPENDENT AUDITOR'S REPORTS

MINUTEMAN-NASHOBA HEALTH GROUP
BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH REQUIRED SUPPLEMENTARY INFORMATION
Years Ended May 31, 2009 and May 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Representatives
Minuteman-Nashoba Health Group

We have audited the accompanying statement of net assets of Minuteman-Nashoba Health Group (Group) as of May 31, 2009 and May 31, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Minuteman-Nashoba Health Group as of May 31, 2009 and May 31, 2008, and changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009, on our consideration of the Group's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis (MD&A) and the ten-year claims development information on the accompanying pages are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we express no opinion on it.

Malloy, Lynch, Bienvenue, LLP

October 9, 2009



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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 Board of Representatives
Minuteman-Nashoba Health Group

We have audited the financial statements of Minuteman-Nashoba Health Group as of and for the years ended May 31, 2009 and 2008, and have issued our report thereon dated October 9, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Group's internal control over financial reporting as a basis for designing our auditing procedures 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 Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Group's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Group's financial statements that is more than inconsequential will not be prevented or detected by the Group's internal control. We consider deficiencies described in the following paragraph to be significant deficiencies in internal control over financial reporting.

The Group's treasurer either performs or supervises all functions and controls that initiate, record, process all of the Group's transactions and financial reporting. The lack of segregation of duties is a combination of control deficiencies that we consider to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Group's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Group's financial statements are free of 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*.

We noted certain matters that we reported to management of the Minuteman-Nashoba Health Group in a separate letter dated October 9, 2009.

This report is intended solely for the information and use of management, and other appropriate government agencies and is not intended to be and should not be used by anyone other than these specified parties.

Malloy, Lynch, Brannance, LLP

October 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MINUTEMAN-NASHOBA HEALTH GROUP

Management's Discussion & Analysis

May 31, 2009

The management of Minuteman-Nashoba Health Group (the Group) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended May 31, 2009. 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 assets, a statement of revenues, expenses and changes in net assets; a statement of cash flows and notes to the financial statements.

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

The statement of revenues, expenses, and changes in net assets 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 assets reconciles to the net assets 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 by \$2,762,347 (net assets) at the close of the fiscal year.
- For the year ended May 31, 2009, net assets decreased by \$981,865.
- Total net assets of \$2,762,347 falls under The Board of Representatives cap on net assets by approximately 49%.
- The statement of cash flows identifies the sources and uses of cash activity for the fiscal year and displays a net decrease in cash of \$931 for the year.

Of the total claims liability \$658,125 represents claims payable and \$3,536,944 represents an estimate for claims incurred but not reported as of May 31, 2009. The decrease in net assets and cash is a result of claims and other Group expenses exceeding member premiums during the fiscal year. Actuarial assumptions are used in projecting annual claims costs for each health plan on a per member/per month basis and a rate, on a plan by plan basis, is set to fund the aggregate of the total projected claims and other Group costs.

MINUTEMAN-NASHOBA HEALTH GROUP

Management's Discussion & Analysis

May 31, 2009

Condensed Financial Information

A comparative summary of financial information is presented below:

	<u>2009</u>	<u>2008</u>	<u>Amount of</u> <u>Change</u>	<u>% Change</u>
Cash and investments	\$ 7,903,338	\$ 8,895,219	\$ (991,881)	(11.15%)
Other current assets	<u>507,145</u>	<u>649,372</u>	(142,227)	(21.90%)
Total assets	8,410,533	9,544,591	(1,134,058)	(11.88%)
Claims liabilities	4,195,069	3,929,815	265,254	6.75%
Other current liabilities	<u>1,453,117</u>	<u>1,870,564</u>	(417,447)	(22.32%)
Total liabilities	<u>5,648,186</u>	<u>5,800,379</u>	(152,193)	(2.62%)
Unrestricted net assets	<u>\$ 2,762,347</u>	<u>\$ 3,744,212</u>	(981,865)	(26.22%)
Revenues, Expenses and Change in Net Assets:				
Contributions and other	\$ 44,074,522	\$ 42,088,959	\$ 1,985,563	4.72%
<i>less</i>				
Claims expense	39,415,426	34,624,623	4,786,803	13.82%
Claims administration expenses	2,732,249	2,642,379	89,870	3.40%
Other group expenses	<u>3,083,403</u>	<u>2,632,033</u>	451,370	17.15%
Total operating expense	45,231,078	39,903,035	5,328,043	13.35%
<i>plus</i>				
Investment income	<u>174,690</u>	<u>311,068</u>	(136,378)	(43.84%)
Change in net assets	<u>\$ (981,866)</u>	<u>\$ 2,496,992</u>	\$ (3,478,858)	(139.32%)

The Group's claims experience and increase in administrative contracts account for the increase in claims and administration expenses.

Economic Factors Affecting the Subsequent Year

Prior to May 31, 2009, the Group's Board of Representatives set the rate structure for fiscal year 2010 plan participation. The rate structure resulted in rate increases ranging between 3% and 7%, depending upon the plan selected.

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 the Town of Concord, MA, Finance Department, PO Box 535, Concord, MA 01742.

BASIC FINANCIAL STATEMENTS

MINUTEMAN-NASHOBA HEALTH GROUP

Statement of Net Assets

May 31, 2009 and May 31, 2008

	2009	2008
	Total	Total
ASSETS		
Cash and cash equivalents (Note 3)	\$ 7,903,388	\$ 7,904,319
Investments (Note 3)		990,900
Receivables:		
Medicare Part D subsidy	195,500	317,500
Contributions due from participants		8,622
Reinsurance claims	4,650	6,250
Rebates from insurance carriers	192,562	221,000
Total receivables	392,712	553,372
Deposits with insurance carriers	114,433	96,000
Total assets	<u>\$ 8,410,533</u>	<u>\$ 9,544,591</u>
 LIABILITIES AND FUND BALANCES		
Current liabilities:		
Claims liabilities (Note 5)	\$ 4,195,069	\$ 3,929,815
Amounts due to prescription benefit provider	10,552	6,856
Participants' advance contributions	1,442,565	1,863,708
Total liabilities	5,648,186	5,800,379
Unrestricted/total net assets	2,762,348	3,744,212
Total liabilities and net assets	<u>\$ 8,410,534</u>	<u>\$ 9,544,591</u>

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

MINUTEMAN-NASHOBA HEALTH GROUP
Statement of Revenues, Expenses and Changes in Net Assets
Years Ended May 31, 2009 and May 31, 2008

	2009	2008
	Total	Total
Operating revenues:		
Participant's' contributions	\$ 43,642,625	\$ 41,582,543
COBRA contributions	193,280	162,514
Medicare Part D subsidy	224,721	329,204
Other income	<u>13,896</u>	<u>14,698</u>
Total operating revenues	44,074,522	42,088,959
Operating expenses:		
Health claims expense	39,415,426	34,628,623
Claims administration fees	2,732,248	2,642,379
Fixed premiums	1,803,380	1,547,135
Stop loss insurance premiums	885,803	678,249
Consulting and group administration services	380,925	384,158
Other administrative services	<u>13,295</u>	<u>22,491</u>
Total operating expenses	<u>45,231,077</u>	<u>39,903,035</u>
Operating income	(1,156,555)	2,185,924
Nonoperating revenues:		
Investment income	<u>174,690</u>	<u>311,068</u>
Change in net assets	(981,865)	2,496,992
Net assets, beginning of year	<u>3,744,212</u>	<u>1,247,220</u>
Net assets, end of year	<u>\$ 2,762,347</u>	<u>\$ 3,744,212</u>

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

MINUTEMAN-NASHOBA HEALTH GROUPStatement of Cash Flows
Years Ended May 31, 2009 and May 31, 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from participants	\$ 43,545,384	\$ 42,181,610
Cash received for Medicare Part D subsidy	224,721	329,204
Miscellaneous receipts	13,896	14,698
Cash paid to insurance providers and other vendors	<u>(44,950,522)</u>	<u>(40,000,806)</u>
Net cash provided (used) by operating activities	(1,166,521)	2,524,706
Cash flows from investing activities:		
Interest on deposits	174,690	311,068
(Purchase)/ sale of investments	<u>990,900</u>	<u>(34,700)</u>
Net cash provided by investing activities	<u>1,165,590</u>	<u>276,368</u>
Net increase (decrease) in cash	(931)	2,801,074
Cash, beginning of year	<u>7,904,319</u>	<u>5,103,245</u>
Cash, end of year	<u>\$ 7,903,388</u>	<u>\$ 7,904,319</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (1,156,556)	\$ 2,185,924
Changes in operating assets and liabilities:		
Accounts receivable	160,660	6,628
Deposits with insurance carriers	(18,433)	8,000
Participant advance contributions	(421,143)	452,675
Amounts due prescription providers	3,696	6,856
Amounts due reinsurance carriers		(61,000)
Claims liabilities	<u>265,254</u>	<u>(74,377)</u>
Net cash provided (used) by operating activities	<u>\$ (1,166,521)</u>	<u>\$ 2,524,706</u>

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

MINUTEMAN-NASHOBA HEALTH GROUP

Notes to Financial Statements
May 31, 2009 and May 31, 2008

Note 1. Description of Group

Minuteman-Nashoba Health Group (the Group), Concord, Massachusetts, 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 in January 1990. The Group became operational in December 1990. 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 a Joint Negotiation and Purchase of Health Coverage governmental agreement. At May 31, 2009, participants are the towns of Ayer, Bolton, Boxborough, Carlisle, Clinton, Concord, Groton, Harvard, Lancaster, Pepperell, Phillipston, Tyngsboro, and Stow; the CASE Collaborative; the Concord-Carlisle Regional School District, the Lincoln-Sudbury Regional School District, Narragansett Regional School District and the North Middlesex Regional School District.

Governmental units may apply for membership and be added to the Group, commencing on a date mutually agreed upon, provided that no less than two-thirds of the participating governmental units vote to accept such additional participants.

Any participating governmental unit may withdraw participation at its discretion. A governmental unit that elects to terminate participation in the Group must notify Minuteman-Nashoba Health Group Board of such intent to withdraw 60 days prior to the end of the fiscal year to be effective at the end of the fiscal year. Any participating governmental unit which is 60 days in arrears for payments may be terminated at the discretion of the Board of Representatives (the Board). In lieu of termination, the Board may take other appropriate action.

There is no liability for premium expense following the effective date of 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 Minuteman-Nashoba Health Group Trust from participating governmental units are on a monthly basis. Contributions are calculated by the Board and are determined to be 100% of the cost of coverage of the Group as a whole (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 whether the excess funds will remain in the Board's trust fund for the purpose of reducing the participants' future premium cost or be distributed to the participating governmental units in proportion to the number of participating governmental unit's employees and retirees covered under the contract purchased at the time the surplus was incurred. 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 under the contract purchased at the time the deficit was incurred.

MINUTEMAN-NASHOBA HEALTH GROUP

Notes to Financial Statements
May 31, 2009 and May 31, 2008

The Group's plans include a Point of Service (POS) plan with claims administered by Tufts Total Health Plan ("Tufts"); three Exclusive Provider Organization (EPO) plans (HMO-type plans) administered respectively by Tufts, Harvard Pilgrim Health Care ("HPHC") and Fallon Health and Life Assurance Company. The Group also has provided for a Preferred Provider Organization (PPO) plan administered by HPHC with the HPHC provider network and the Private Healthcare Systems nationwide provider network. For retirees with Medicare Part A and Part B, the Group provides a Medicare Complement Plan with claims administered by Tufts; a fully insured medi-wrap plan, Tufts Medicare Complement (TMC) plan provided by Tufts; and three fully insured Medicaid Advantage plans: Fallon Senior Plan, Harvard Pilgrim First Seniority, and Tufts Secure Horizons. Payments to all plans, except Tufts Medicare Complement plan, and the Medicaid Advantage plans are on a claims paid basis.

Payments to the claims administrators on self-funded plans, i.e. Tufts Total Health Plan, Harvard Pilgrim Health Care, and Fallon Health and Life Assurance Company are administrative fees based on the number of subscribers under administration each month.

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 three-year term ending December 31, 2010, and provides for a monthly fee based on the number of subscribers for each month.

The Group employs the services Prescription Benefits Services, Inc. (PBS), which until July 1, 2008 was a related party to Group Benefits Strategies. PBS performs certain contracting and administrative functions for the Group's alternative prescription drug program. The agreement with PBS is for a two-year term ending October 31, 2010, and provides for a monthly fee based upon the number of subscribers and an agreed-upon fee paid by the Group in monthly installments to be used for employee incentives. The agreement may be terminated by the Group, at any time after the initial term the agreement with 90 days prior, written notice.

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.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements present the net assets of the Group at May 31, 2009 and May 31, 2008, and the changes in net assets 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.

MINUTEMAN-NASHOBA HEALTH GROUP

Notes to Financial Statements
May 31, 2009 and May 31, 2008

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.

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; other short-term investments with original maturities of three months or less; and the Commonwealth of Massachusetts Municipal Depository Trust (MMDT) which has legislative approval for municipal use.

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

Claims Liabilities

The Group's obligations include estimated health claims incurred but not reported at May 31, 2009 and May 31, 2008. 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. The Group pays self-funded claims weekly for Tufts Total Health Plan and for Fallon Health and Life Assurance Company for actual claims to be paid and the central benefits administrator, Group Benefits Strategies, is sent supporting detail for the funding request. The Group pays Harvard Pilgrim Health Care (HPHC) a level, monthly payment each month to cover the expected cost of claims for that month. The amount has been mutually agreed upon to represent approximately one month of projected claims for the HPHC plans. There is a quarterly reconciliation and settle-up against actual claims payments made by HPHC on behalf of the Group. 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.

Reinsurance

The Group has a specific excess medical and prescription drug claims reinsurance contract with an insurance carrier covering claims paid in excess of \$225,000 and \$200,000 for calendar years 2009 and 2008, respectively, per individual to a lifetime maximum amount payable of \$2,000,000 for active employee, self-insured plans. The policy period for these plans covers claims incurred, on a calendar basis, within 12 months and paid within 18 months.

For the self-insured Medicare complement plan the Group's deductible is \$225,000, and the policy period covers claims incurred, on a calendar basis, with 12 months and paid within 24 months.

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

MINUTEMAN-NASHOBA HEALTH GROUP

Notes to Financial Statements
May 31, 2009 and May 31, 2008

Medicare Part D Prescription Drug Benefit Program

The Group acts as plan sponsor, on behalf of its members, for the purpose of applying for the subsidy payment provided for under The Medicare Prescription Drug Improvement, and Modernization Act of 2003 (subpart R).

Note 3. 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 May 31, 2009 and May 31, 2008, deposits totaled \$141,917 and \$148,062, respectively. The carrying amounts of these deposits at May 31, 2009 and May 31, 2008, were \$61,917 and \$68,062, respectively. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

The Group does not have a formal investment policy; however, the Group's investments include units of the Massachusetts Municipal Depository Trust (MMDT), a pooled investment account restricted by state law for use by Massachusetts state and local government entities, which qualifies as an external investment pool. The MMDT is managed on behalf of the Treasurer of the Commonwealth of Massachusetts, who is the sole trustee.

Financial reports of the MMDT are publicly available and may be obtained by contacting the MMDT directly. This account is valued at cost, which is also its fair value. The balance of this account is \$7,841,471 at May 31, 2009, and \$7,836,257 at May 31, 2008, which are included as cash equivalents in the accompanying statement of net assets.

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 does not have an investment policy covering custodial credit risk.

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 does not have an investment policy regarding interest rate risk. The approximate maturities of the Group's debt investments are disclosed in the following table:

<u>Investment Type</u>	<u>at May 31, 2009</u>		<u>at May 31, 2008</u>	
	<u>Fair Market Value</u>	<u>12 months or less</u>	<u>Fair Market Value</u>	<u>12 months or less</u>
MMDT	\$ 7,841,471	\$ 7,841,471	\$ 7,836,257	\$ 7,836,257
Federal agency securities	-	-	990,900	990,900
	<u>\$ 7,841,471</u>	<u>\$ 7,841,471</u>	<u>\$ 8,827,157</u>	<u>\$ 8,827,157</u>

MINUTEMAN-NASHOBA HEALTH GROUP

Notes to Financial Statements
May 31, 2009 and May 31, 2008

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 does not have an investment policy which would limit its investment choices.

Concentration of credit risk – The Group does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding U.S. federal agency securities, and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the governmental activities.

Note 4. Plan Deposits

The Group is required by Tufts Total Health Plan to maintain a deposit of \$80,000. Interest on the account accrues to the Group. In addition, the group pays a monthly deposit to a third-party administrator for a prescription drug purchasing program. The difference between actual claims and deposits paid amounts to \$34,433 as of May 31, 2009 and \$16,000 as of May 31, 2008, respectively.

Note 5. Unpaid Claims

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. The following table represents changes in claims' liabilities for the years ended May 31, 2009 and May 31, 2008:

	<u>2009</u>	<u>2008</u>
Unpaid claims and claims' adjustment expenses—beginning of year	\$ 3,929,815	\$ 4,004,192
Incurred claims and claims' adjustment expenses:		
Provision for insured events of the current fiscal year	39,656,931	35,882,193
Increase (decrease) in provision for insured events of prior fiscal years	<u>(241,505)</u>	<u>(1,253,570)</u>
	39,415,426	34,628,623
Payments:		
Claims and claims' adjustment expenses attributable to insured events of the current fiscal year	(35,653,495)	(32,143,951)
Claims and claims' adjustment expenses attributable to insured events of prior fiscal years	<u>(3,496,677)</u>	<u>(2,559,049)</u>
	<u>(39,150,172)</u>	<u>(34,703,000)</u>
Total unpaid claims and claims' adjustment expenses—end of year	<u>\$ 4,195,069</u>	<u>\$ 3,929,815</u>

MINUTEMAN-NASHOBA HEALTH GROUP
REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS' DEVELOPMENT INFORMATION

The table on the next 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 each of the last ten years. 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. (2) This line shows each fiscal year's HMO fixed premiums paid and other operating costs of the Group 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 ten rows shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of ten 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.

MINUTEMAN-NASHOBA HEALTH GROUP
REQUIRED SUPPLEMENTARY INFORMATION
Ten-Year Claims' Development Information
(Unaudited)

	<u>5/31/2009</u>	<u>5/31/2008</u>	<u>5/31/2007</u>	<u>5/31/2006</u>	<u>5/31/2005</u>	<u>5/31/2004</u>	<u>5/31/2003</u>	<u>5/31/2002</u>	<u>5/31/2001</u>	<u>6/30/2000</u>	<u>6/30/1999</u>
1. Earned member assessments, other and investment revenues	\$ 44,249,212	\$ 42,400,027	\$ 37,370,086	\$ 31,854,647	\$ 24,029,488	\$ 19,367,388	\$ 16,798,697	\$ 14,203,221	\$ 10,521,560	\$ 9,102,737	\$ 7,880,082
2. HMO fixed premiums paid and other operating expenses	\$ 5,815,652	\$ 5,274,412	\$ 4,743,657	\$ 4,400,076	\$ 3,368,658	\$ 3,833,952	\$ 3,493,878	\$ 2,998,786	\$ 2,174,213	\$ 3,914,541	\$ 3,189,015
3. Estimated incurred, self-insured claims and expense, end of fiscal year	\$ 39,656,931	\$ 35,882,193	\$ 31,943,811	\$ 31,034,003	\$ 21,173,503	\$ 14,998,608	\$ 13,200,795	\$ 11,228,454	\$ 8,477,395	\$ 6,669,855	\$ 5,815,949
4. Paid (cumulative) as of:											
End of fiscal year	\$ 35,653,435	\$ 32,143,951	\$ 28,131,192	\$ 27,793,682	\$ 17,945,099	\$ 13,318,346	\$ 11,071,655	\$ 9,427,704	\$ 6,934,618	\$ 5,451,962	\$ 4,864,621
One year later		\$ 35,628,218	\$ 30,726,337	\$ 30,565,689	\$ 19,784,491	\$ 14,635,116	\$ 12,373,109	\$ 10,890,808	\$ 7,974,197	\$ 6,408,816	\$ 5,530,750
Two years later			\$ 30,723,506	\$ 30,529,593	\$ 19,788,334	\$ 14,654,250	\$ 12,390,043	\$ 10,894,029	\$ 8,004,293	\$ 6,369,884	\$ 5,551,642
Three years later				\$ 30,546,998	\$ 19,788,334	\$ 14,654,250	\$ 12,403,072	\$ 10,898,717	\$ 8,003,751	\$ 6,413,742	\$ 5,546,144
Four years later					\$ 19,786,230	\$ 14,654,250	\$ 12,403,072	\$ 10,897,815	\$ 8,003,823	\$ 6,413,783	\$ 5,546,144
Five years later						\$ 14,654,250	\$ 12,403,072	\$ 10,897,815	\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Six years later							\$ 12,403,072	\$ 10,897,815	\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Seven years later								\$ 10,897,815	\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Eight years later									\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Nine years later										\$ 6,413,783	\$ 5,546,144
Ten years later											\$ 5,546,144
5. Re-estimated incurred, self-insured claims and expense:											
End of fiscal year	\$ 39,656,931	\$ 35,882,193	\$ 31,943,811	\$ 31,034,003	\$ 21,173,503	\$ 14,998,608	\$ 13,200,795	\$ 11,228,454	\$ 8,477,395	\$ 6,669,855	\$ 5,815,949
One year later		\$ 35,628,218	\$ 30,726,337	\$ 30,565,689	\$ 19,784,491	\$ 14,635,116	\$ 12,373,109	\$ 10,890,808	\$ 7,974,197	\$ 6,408,816	\$ 5,530,750
Two years later			\$ 30,723,506	\$ 30,529,593	\$ 19,788,334	\$ 14,654,250	\$ 12,390,043	\$ 10,894,029	\$ 8,004,293	\$ 6,369,884	\$ 5,551,642
Three years later				\$ 30,546,998	\$ 19,788,334	\$ 14,654,250	\$ 12,403,072	\$ 10,898,717	\$ 8,003,751	\$ 6,413,742	\$ 5,546,144
Four years later					\$ 19,786,230	\$ 14,654,250	\$ 12,403,072	\$ 10,897,815	\$ 8,003,823	\$ 6,413,783	\$ 5,546,144
Five years later						\$ 14,654,250	\$ 12,403,072	\$ 10,897,815	\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Six years later							\$ 12,403,072	\$ 10,897,815	\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Seven years later								\$ 10,897,815	\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Eight years later									\$ 8,003,933	\$ 6,413,783	\$ 5,546,144
Nine years later										\$ 6,413,783	\$ 5,546,144
Ten years later											\$ 5,546,144
6. (Increase) decrease in estimated, incurred, self-insured claims and expense from the end of the original policy year.		\$ 253,975	\$ 1,220,305	\$ 487,005	\$ 1,387,273	\$ 344,358	\$ 797,723	\$ 330,639	\$ 473,462	\$ 256,072	\$ 269,805

MINUTEMAN-NASHOBA HEALTH GROUP
MANAGEMENT LETTER
MAY 31, 2009



Malloy, Lynch, Bienvenue, LLP

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To the Board of Representatives of
Minuteman-Nashoba Health Group

In connection with our audit of the financial statements of Minuteman-Nashoba Health Group (the Group) for the year ended May 31, 2009, we are presenting for your consideration, our comments and recommendations regarding internal control and other matters.

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the Group's internal control over financial reporting as a basis for designing our auditing procedures 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 Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified one condition in internal control that we consider to be a significant as defined above.

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal control.

The comments and recommendations presented herein are intended to improve the system of internal control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent conditions found during the audit and have not been reviewed subsequent to the date of this report.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on positive attributes of the Group's financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment and we recognize that practical considerations are an important factor in changing administrative practices and internal controls. The Group should weigh the advantages and disadvantages of the suggested changes over the present practice and procedure.

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

Malloy, Lynch, Bienvenue LLP

Malloy, Lynch, Bienvenue, LLP
October 9, 2009

STATUS OF PRIOR YEAR COMMENTS

In connection with our audit of the Group's financial statements for the year ended May 31, 2008, and prior years, we have commented on several issues. The Group has acted on or considered these comments and made changes as considered necessary and cost effective for the Group. The status of prior year comments is noted below.

1. Segregation of duties – a significant deficiency in internal control

Last year, and in prior years, we have commented that the lack of segregation of duties over the processing, recording, reconciling and financial reporting of financial transactions represents a significant deficiency in internal control.

We understand the Group has considered this condition, as well as additional compensating controls that help to mitigate the Group's overall risk however current auditing standards require us to continue to communicate this condition to you.

We recommend the Board of Representatives continue to monitor its financial activities on an ongoing basis and implement changes where and when practical and cost effective for the Group.

Management's Response: The Board intends to take under advisement and to continue to monitor and evaluate financial reporting and internal controls on an ongoing basis.

2. Financial policies and procedures

In prior years, we recommended the Group consider documenting and formalizing some of its informal and traditional policies and procedures which have been in place and relied upon over the years. These include documenting an investment policy; a risk assessment policy; as well as documenting detailed financial reporting policies and procedures.

To the extent financial policies and procedures are not documented, current auditing standards require us to continue to communicate this to the Group.

We recommend the Group consider documenting its financial reporting process, including identifying "key" internal controls and the mechanisms in place to ensuring these controls are in place and operating as intended. As part of this documentation, we recommend the Group provide for documenting its risk assessment practices with regard to financial reporting.

Minuteman Nashoba Health Group
c/o Town of Concord
22 Monument Square
Concord, MA 01742

Malloy, Lynch, Bienvenue, LLP
Nine Baystate Court
Brewster, MA 02631

Dear Mr. Bienvenue,

We are providing this letter in connection with your audit of the financial statements of Minuteman-Nashoba Health Group, Concord, Massachusetts (the Group) as of May 31, 2009 and 2008, and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the business type activities of the Group and the respective changes in financial position and cash flows in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all-
 - a. Financial records and related data.
 - b. Minutes of meetings of Board of Representatives and Finance Committee.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of fraud or suspected fraud affecting the Group involving:
 - a. Management
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators or others.

8. The Group has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

9. The following, if any, have been properly recorded or disclosed in the financial statements:

a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

b. Guarantees, whether written or oral, under which the Group is contingently liable.

c. All accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances, consistently applied and, adequately disclosed.

10. We are responsible for compliance with the laws, regulations and provisions of contract and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

11. There are no-

a. Violations or possible violations of laws or regulations and provisions of contracts whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, *Accounting For Contingencies*.

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No.5. and we have not consulted an attorney during the fiscal year on any pending matters.

d. Reservations or designations of net assets that were not properly authorized or approved.

12. As part of your audit, you prepared the draft financial statements and related notes. We have designated a competent employee to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

13. The Group has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

14. The Group has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

15. There are no component units or joint ventures with an equity interest, or related organizations required to be disclosed in the financial statements.

16. The financial statements properly classify all activities and net asset components.
17. Deposit and investments are properly classified as to risk.
18. Required supplementary information is measured and presented within prescribed guidelines.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements.

Signed _____	Title _____	Date _____
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Signed _____	Title _____	Date _____
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