MINUTEMAN-NASHOBA HEALTH GROUP
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED MAY 31, 2017 AND MAY 31, 2016
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, 2017 and May 31, 2016

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Steering Committee
Minuteman-Nashoba Health Group
Concord, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Minuteman-Nashoba Health Group, as of and for the years ended May 31, 2017 and May 31, 2016 and the related notes to the financial statements, which collectively comprise the Minuteman-Nashoba 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Minuteman-Nashoba Health Group, as of May 31, 2017 and May 31, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the claims development information on pages v-vii and 11-12, 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 February 9, 2018, on our consideration of the Minuteman-Nashoba Health Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minuteman-Nashoba Health Group's internal control over financial reporting and compliance.

Lynch Marini & Associates Inc

Natick, Massachusetts
February 9, 2018

LM LYNCH MARINI & ASSOCIATES INC
CERTIFIED PUBLIC ACCOUNTANTS

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
Minuteman-Nashoba Health Group
Concord, Massachusetts

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 of the United States, the financial statements of Minuteman-Nashoba Health Group, as of and for the years ended May 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Minuteman-Nashoba Health Group's basic financial statements, and have issued our report thereon dated February 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Minuteman-Nashoba 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Minuteman-Nashoba Health Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Minuteman-Nashoba 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 that 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 Minuteman-Nashoba 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*.

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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

Natick, Massachusetts
February 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MINUTEMAN-NASHOBA HEALTH GROUP
Management's Discussion & Analysis
May 31, 2017 and May 31, 2016

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 years ended May 31, 2017 and 2016. 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 assets, a statement of cash flows and notes to the financial statements.

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

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

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

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

Financial Highlights

- Assets exceeded liabilities (net position) by $2,670,570 and $6,860,794 at the years ending May 31, 2017 and May 31, 2016, respectively.
- For the years ended May 31, 2017 and May 31, 2016, net position decreased by $4,190,224 and $2,290,055, respectively.
- Total net position of $2,670,570 is $2,942,560 under the Board of Representatives' target fund balance of $5,613,130 for the year ended May 31, 2017, and the net position of $6,860,794 is $1,765,898 over the Board of Representative's target fund balance of $5,094,896 for the year ended May 31, 2016. The Board's target fund balance is calculated as 150% of the prior twelve-month average of self-funded costs.
- 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 $4,680,897 and $818,796 for the years ending May 31, 2017 and May 31, 2016, respectively.

Of the total claims liability $286,142 and $412,255 represents claims payable and $3,786,189 and $3,648,781 represents an estimate for claims incurred but not reported as of May 31, 2017 and May 31, 2016, respectively. The decrease in net position and cash results from claims and other Group expenses exceeding member premiums during the fiscal years.

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.

For the year ended May 31, 2017, advanced contributions and claims liabilities decreased by $884,484 and $126,113, respectively, which contributed to the reduction of the amount of cash used. The estimated use of the fund balance when the June 1, 2016 premium rates were established was approximately $1,500,000.

Condensed Financial Information

A comparative summary of financial information is presented below:

	2017	2016
Cash and investments	$ 6,519,073	$ 11,199,970
Other current assets	867,470	1,221,137
Total assets	$ 7,386,543	$ 12,421,107
Claims liabilities	$ 286,142	$ 412,255
Claims incurred but not reported	3,786,189	3,648,781
Other current liabilities	643,642	1,499,277
Total liabilities	4,715,973	5,560,313
Unrestricted net assets	$ 2,670,570	$ 6,860,794
Revenues, Expenses and Change in Net Position:		
Contributions and other	$ 46,170,612	$ 43,864,208
less		
Claims expense	39,575,116	36,060,968
Claims administration expenses	2,724,203	2,562,762
Other group expenses	8,130,471	7,571,569
Total operating expense	50,429,790	46,195,299
plus		
Investment income	68,954	41,036
Increase/(decrease) in net position	$ (4,190,224)	$ (2,290,055)

Note, the "Other group expenses" above increased due to an increase in subscribers for the Fallon Senior Plan's, increased fixed premiums, triannual eligibility audit, and stop loss premiums. The Affordable Care Act's Transitional Reinsurance Program (TRP) fees also are included in this grouping.

Economic Factors Affecting the Subsequent Year

Prior to May 31, 2017, the Group's Board of Representatives set the funding rates for its self-funded plans for fiscal year 2018 plans participation with no changes in plan design. This year, fund balance was below targeted range, therefore, the rates will not be reduced with excess fund balance. The Group assigned a 7.0% increase to Fallon rates, a 12.8% increase to the Tufts rates, and a 15.8% increase in HPHC plan rates.

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 Ian Rhames, Town of Concord MA, 120 Meriam Road, Concord, MA 01742.

BASIC FINANCIAL STATEMENTS

MINUTEMAN-NASHOBA HEALTH GROUP
Statements of Net Position
As of May 31, 2017 and May 31, 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 6,519,073	$ 11,199,970
Receivables:		
Reinsurance claims	365,805	479,288
Rebates from insurance carriers	165,673	155,850
Total receivables	531,478	635,138
Deposits with insurance carriers	335,992	585,999
Total assets	$ 7,386,543	$ 12,421,107
LIABILITIES AND NET POSITION		
Claims liabilities	$ 286,142	$ 412,255
Claims incurred but not reported	3,786,189	3,648,781
Accounts payable	33,887	5,038
Participants' advance contributions	609,755	1,494,239
Total liabilities	4,715,973	5,560,313
Unrestricted/total net position	2,670,570	6,860,794
Total liabilities and net position	$ 7,386,543	$ 12,421,107

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

MINUTEMAN-NASHOBA HEALTH GROUP
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended May 31, 2017 and May 31, 2016

	2017	2016
Operating revenues:		
Member contributions	$ 46,075,466	$ 43,760,044
COBRA contributions	95,146	104,164
Total operating revenues	46,170,612	43,864,208
Operating expenses:		
Health claims expense	39,575,116	36,060,968
Claims administration fees	2,724,203	2,562,762
Fixed premiums	6,274,178	6,011,347
Stop loss insurance premiums	907,408	900,176
Regulatory fees	140,227	219,484
Consulting and group administration services	409,048	386,522
Other administrative services	399,610	54,040
Total operating expenses	50,429,790	46,195,299
Operating income (loss)	(4,259,178)	(2,331,091)
Nonoperating revenues:		
Interest income	68,954	41,036
Increase/(decrease) in net position	(4,190,224)	(2,290,055)
Net position, beginning of year	6,860,794	9,150,849
Net position, end of year	$ 2,670,570	$ 6,860,794

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

MINUTEMAN-NASHOBA HEALTH GROUP
Statements of Cash Flows
For the Years Ended May 31, 2017 and May 31, 2016

	2017	2016
Cash flows from operating activities:		
Cash received from participants	$ 45,297,423	$ 46,083,345
Cash paid to insurance providers and other vendors	(50,047,274)	(46,943,177)
Net cash provided (used) by operating activities	(4,749,851)	(859,832)
Cash flows from investing activities:		
Interest on deposits	68,954	41,036
Net cash provided by investing activities	68,954	41,036
Net increase (decrease) in cash	(4,680,897)	(818,796)
Cash and cash equivalents, beginning of year	11,199,970	12,018,766
Cash and cash equivalents, end of year	$ 6,519,073	$ 11,199,970
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating income	$ (4,259,178)	$ (2,331,091)
Changes in operating assets and liabilities:		
(Increase)/decrease of accounts receivable	103,660	(520,200)
(Increase)/decrease of deposits with insurance carriers	250,007	(224,881)
(Increase)/decrease of due from providers	-	305,659
Increase/(decrease) of advance contributions	(884,484)	806,753
Increase/(decrease) of IBNR	137,408	-
Increase/(decrease) of of accounts payable	28,849	(2,799)
Increase/(decrease) of claims liabilities	(126,113)	1,106,727
Net cash provided (used) by operating activities	$ (4,749,851)	$ (859,832)

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

Note 1. Description of Group

Minuteman-Nashoba Health Group (the Group) is a Massachusetts Municipal Health Insurance joint purchase group formed pursuant to Massachusetts General Laws, Chapter 32B, Section 12 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, 2017 and 2016, participants are the Towns of Ayer, Bolton, Boxborough, Carlisle, Clinton, Concord, Groton, Harvard, Lancaster, Pepperell, Phillipston, Stow, and Tyngsborough; the CASE Collaborative; the Concord-Carlisle Regional School District, the Lincoln-Sudbury Regional School District, the Narragansett Regional School District, and the North Middlesex Regional School District; and West Groton Water. The Town of Phillipston participates in the Group through its joint purchase agreement with Narragansett 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 Group's 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 by December 1st 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 were no member units that requested to withdraw from the Group in either the years ending June 30, 2017 or June 30, 2016.

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 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.

Note 1. Description of Group (continued)

The Group's plans include a self-funded Point of Service (POS) plan with claims administered by Tufts Health Plan ("Tufts"); three self-funded Exclusive Provider Organization (EPO) plans (HMO-type plans) administered respectively by Tufts, Harvard Pilgrim Health Care ("HPHC") and Fallon Health ("Fallon"). The Group also has provided a self-funded Preferred Provider Organization (PPO) plan administered by HPHC with the HPHC provider network and the United Health Care Options nationwide provider network. For retirees with Medicare Part A and Part B, the Group provides a Medicare Supplement Plan with a Medicare Part D prescription drug plan which is fully insured by Tufts; and two fully insured Medicare Advantage HMO plans by Tufts and Fallon respectively.

Payments to the claims administrators for self-funded plans, i.e. Tufts Health Plan, Harvard Pilgrim Health Care, and Fallon Health 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, 2017, and provides for a monthly fee based on the number of subscribers for each month.

The Group employed the services of Prescription Benefits Services, Inc. (PBS), as a benefit administrator to provide certain management, consulting, and techinical functions for th group's alternative prescription drug program. The agreement with PBS was for a three-year term ending October 30, 2017; however, by mutual agreement the Group and PBS decided to end their contract as of September 30, 2017. PBS was paid a monthly fee based upon the number of health plan subscribers. The arrangement with PBS was ended at midnight September 30, 2017, and the services were then performed by the program's product provider at no additional fees.

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 basic financial statements of the Group are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), using the economic resources measurement focus and the accrual basis of accounting, and reflect transactions by and behalf of the Group. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through it's pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP that are used by the Group are discussed below.

Note 2. Summary of Significant Accounting Policies (continued)

Member contributions include the monthly funding rates 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 advanced contributions. Operating revenues and expenses result from providing health insurance to its member governments. All other revenues and expenses are reported as non-operating.

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

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.

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 a liability, including assumptions about risk. The following are levels considered:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs 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 inputs are unobservable for the asset or liability. 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.

Note 2. Summary of Significant Accounting Policies (continued)

Financial Instruments

The Group's significant financial instruments are cash, receivables, payables, and claims liabilities. All assets and liabilities presented are short-term. For these financial instruments, carrying value approximates fair value.

Claims Liabilities

The Group's obligations include estimated health claims incurred but not reported at May 31, 2017 and May 31, 2016. 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

On July 1, 2014, the Group joined a new stop-loss reinsurance agreement with the Massachusetts Municipal Reinsurance Arrangement Series of Sentinel Indemnity, LLC. The pooling arrangement is made up of the Group along with two other Massachusetts municipal joint purchase groups. This is the first Massachusetts municipal reinsurance pooling arrangement. The policy year is July 1st through June 30th. All participants share the same rates for coverage of claims exceeding $300,000. There is no Aggregating Specific Deductible. If claims experience is below projections, participants are dividend eligible on a collective and proportional basis. Participating governmental entities have agreed to participate for a minimum of three years.

During the year ending May 31, 2017, the Group made a deposit of $245,011 and paid $907,408 for premiums, operating expenses and reserves. For the year ending May 31, 2016, the Group made a deposit of $298,878, paid premiums of $900,176, and had a specific excess medical and prescription drug claims reinsurance contract with an insurance carrier covering claims paid in excess of $300,000 per individual with no maximum annual reimbursement.

The policy period for these plans covers claims incurred, on a calendar basis, within 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.

Transitional Reinsurance Program fee

In the years ending May 31, 2017 and May 31, 2016 the Group was required to pay $140,227 and $219,484, respectively, for the Transitional Reinsurance Program (TRP) fees. The TRP fees are associated with the Affordable Care Act and are classified as regulatory fees within the financial statements.

Note 3. Cash and Cash Equivalents

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. As of May 31, 2017, and May 31, 2016, the Group had $6,365,262 and $10,278,211, respectively, exposed to credit risk. As of May 31, 2017, and May 31, 2016, deposits totaled $6,403,938 and $10,326,594 respectively. The carrying amounts of these deposits at May 31, 2017 and May 31, 2016, were $6,519,073 and $11,199,970, respectively. Differences between deposit amounts and carrying amounts represents outstanding checks and deposits in transit.

The Group invests some of its funds in Massachusetts Municipal Depository Trust (MMDT), an external investment pool for political subdivisions of the Commonwealth of Massachusetts designed as a legal means to invest temporarily available cash. For the purposes of financial reporting, the Group considers amounts on deposit to be cash equivalents. The state treasurer serves as trustee of MMDT and has sole authority pertaining to rules, regulations, and operations of the Trust. Investment options offered by MMDT are (1) a cash portfolio, which offers participation in a diversified portfolio of high-quality money market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity and (2) a short-term bond portfolio, which offers participation in a diversified portfolio of investment-grade, short-term, fixed-income securities that seeks to generate performance exceeding the Barclays 1-5 Year Government/Credit Bond Index, presenting a fixed-income alternative with a longer time horizon than the cash portfolio. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Amounts held at MMDT are uninsured and uncollateralized.

The Group's investment balance at MMDT as of May 31, 2017 was solely in the cash portfolio and has been reported as a cash equivalent for financial reporting purposes. The cash portfolio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by the Governmental Accounting Standards Board. Additionally, the cash portfolio adheres to GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which amended Statement No. 31 and established accounting and financial reporting statements for state and local governments that participate in a qualifying external investment pool that measures all of its investments for financial reporting purposes at amortized cost. A copy of MMDT's financial statements can be obtained by contacting the Office of the Treasurer and Receiver General of Massachusetts directly at One Ashburton Place #1207, Boston, Massachusetts 02108.

The following summarizes the cash and cash equivalents of the Group as of May 31, 2017:

Cash – carrying value	$ 57,952
MMDT cash portfolio	6,461,121
Total cash & cash equivalents	$ 6,519,073

The following summarizes the cash and cash equivalents of the Group as of May 31, 2016:

Cash – carrying value	$ 48,517
MMDT cash portfolio	11,151,453
Total cash & cash equivalents	$ 11,199,970

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. The following table represents changes in claims' liabilities for the years ended May 31, 2017 and May 31, 2016:

	2017	2016
Claims liabilities—beginning of year	$ 3,648,781	$ 2,784,076
Incurred claims and claims' adjustment expenses:		
Provision for insured evenes of the current fiscal year	39,957,895	36,446,277
Increase (decrease) in provision for insured events of prior fiscal years	(382,779)	(385,309)
	39,575,116	36,060,968
Payments:		
Claims and claims' adjustment expenses attributable to insured events of the current fiscal year	(36,171,706)	(32,797,496)
Claims and claims' adjustment expenses attributable to insured events of prior fiscal years	(3,266,002)	(2,398,767)
	(39,437,708)	(35,196,263)
Claims incurred but not reported—end of year	$ 3,786,189	$ 3,648,781

Note 5. Plan Deposits

The Group is required by Tufts 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 prescription drug deposits totaled $10,981 as of May 31, 2017 and $9,989 as of May 31, 2016. The Group also paid a deposit in the amount of $274,703 in the year ending May 31, 2017 and 298,878 in the year ending May 31, 2016 for the MMRA pooling arrangement; of which $245,011 and $197,132 have not been used to cover excess allocated losses over the loss fund as of May 31, 2017 and May 31, 2016, respectively.

Note 6. Subsequent Events

The Group has evaluated subsequent events through February 9, 2018, which is the date the financial statements were issued.

Note 7. GASB Pronouncements

There are no recently released GASB pronouncements, current or future, as of the date of these financial statements which the Group believes will be applicable to its financial statements.

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 years 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
Claims Development Information

	5/31/2017	5/31/2016	5/31/2015	5/31/2014	5/31/2013	5/31/2012	5/31/2011	5/31/2010	5/31/2009	5/31/2008
1. Earned member assessments, other and investment revenues	$ 46,239,566	$ 43,905,244	$ 40,819,140	$ 43,492,221	$ 44,103,789	$ 50,355,302	$ 48,741,012	$ 46,069,435	$ 44,249,212	$ 42,400,027
2. HMO fixed premiums paid and other operating expenses	$ 10,854,674	$ 10,134,331	$ 9,527,131	$ 8,481,603	$ 7,694,049	$ 6,826,368	$ 6,660,524	$ 6,245,103	$ 5,815,652	$ 5,274,412
3. Estimated incurred, self-insured claims and expense, end of fiscal year	$ 39,957,895	$ 36,446,277	$ 33,777,723	$ 34,051,800	$ 34,081,036	$ 38,120,002	$ 42,403,364	$ 41,317,825	$ 39,656,931	$ 35,882,193
4. Paid (cumulative) as of:										
End of fiscal year	$ 36,171,706	$ 32,797,496	$ 30,993,647	$ 30,403,673	$ 30,931,389	$ 34,956,279	$ 37,889,287	$ 36,843,149	$ 35,653,435	$ 32,143,951
One year later		$ 35,980,054	$ 33,341,136	$ 33,139,040	$ 33,347,126	$ 38,086,257	$ 40,896,563	41,833,417	$ 40,222,143	$ 35,628,218
Two years later			$ 33,424,580	$ 33,187,512	$ 33,314,240	$ 38,109,314	$ 40,893,389	41,832,376	$ 40,324,751	$ 35,643,484
Three years later				$ 33,187,512	$ 33,314,220	$ 38,108,244	$ 40,891,310	41,834,752	$ 40,330,067	$ 35,647,701
Four years later					$ 33,314,220	$ 38,110,513	$ 40,893,831	41,833,944	$ 40,330,615	$ 35,646,517
Five years later						$ 38,110,513	$ 40,894,524	41,833,944	$ 40,330,615	$ 35,646,005
Six years later							$ 40,894,524	41,833,844	$ 40,330,615	$ 35,646,005
Seven years later								$ 41,833,844	$ 40,330,580	$ 35,646,005
Eight years later									$ 40,330,580	$ 35,646,005
Nine years later										$ 35,646,005
Ten years later										
5. Re-estimated incurred, self-insured claims and expense:										
End of fiscal year	$ 39,957,895	$ 36,446,277	$ 33,777,723	$ 34,051,800	$ 34,081,036	$ 38,120,002	$ 42,403,364	$ 41,317,825	$ 39,656,931	$ 35,882,193
One year later		$ 35,980,054	$ 33,341,136	$ 33,139,040	$ 33,347,126	$ 38,086,257	$ 40,896,563	$ 41,833,417	$ 40,222,143	$ 35,628,218
Two years later			$ 33,424,580	$ 33,187,512	$ 33,314,240	$ 38,109,314	$ 40,893,389	$ 41,832,376	$ 40,324,751	$ 35,643,484
Three years later				$ 33,187,512	$ 33,314,220	$ 38,108,244	$ 40,891,310	$ 41,834,752	$ 40,330,067	$ 35,647,701
Four years later					$ 33,314,220	$ 38,110,513	$ 40,893,831	$ 41,833,944	$ 40,330,615	$ 35,646,517
Five years later						$ 38,110,513	$ 40,894,524	$ 41,833,944	$ 40,330,615	$ 35,646,005
Six years later							$ 40,894,524	$ 41,833,844	$ 40,330,615	$ 35,646,005
Seven years later								$ 41,833,844	$ 40,330,580	$ 35,646,005
Eight years later									$ 40,330,580	$ 35,646,005
Nine years later										$ 35,646,005
Ten years later										
6. (Increase) decrease in estimated, incurred, self-insured claims and expense from the end of the original policy year.	$ -	$ 466,223	$ 353,143	$ 864,288	$ 766,816	$ 9,489	$ 1,508,840	$ (516,019)	$ (673,649)	$ 236,188

See Independent Auditor's Report