

## Attachment G

<b>Plan Audits</b>		
<b>Service Cooperative</b>	<b>Separate Plan Audit</b>	<b>Handling of Plan In Service Cooperatives' Audits</b>
<b>Lakes Country SC:</b>		
<b>School Pool</b>	No	<b>3 Governmental Funds:</b> 1) Insurance Pool Administration; 2) Minimum Premium Plan Reserve; and 3) Minimum Premium Plan IBNR. One Insurance Pool Minimum Premium Plan <b>Agency Fund</b> . <sup>i</sup>
<b>CCOGA Pool</b>	Yes	
<b>North Central SC:</b>		
<b>School Pool</b>	No	Risk Management <b>Enterprise Fund</b> <sup>ii</sup>
<b>CCOGA Pool</b>	No	
<b>Northeast SC:</b>		
<b>School Pool</b>	No	School Pool <b>Enterprise Fund</b> <sup>iii</sup>
<b>CCOGA Pool</b>	Yes	CCOGA <b>Enterprise Fund</b> <sup>iv</sup>
<b>Northwest SC:</b>		
<b>School Pool</b>	Yes	<b>Agency Fund</b> <sup>v</sup>
<b>CCOGA Pool</b>	Yes	
<b>Resource Training &amp; Solutions:</b>		
<b>School Pool</b>	Yes	School District Minimum Premium Funding Plan <b>Component Unit</b> <sup>vi</sup> and <b>Expendable Trust</b> <sup>vii</sup> <b>Fund</b> <sup>viii</sup>
<b>CCOGA Pool</b>	Yes	City, County, OGA Minimum Premium Funding Plan <b>Component Unit</b> <sup>ix</sup> and <b>Expendable Trust</b> <sup>x</sup> <b>Fund</b> <sup>xi</sup>
<b>South Central SC:</b> <sup>xii</sup>		
<b>School Pool</b>	No	<b>Agency Funds</b> <sup>xiii</sup>
<b>CCOGA Pool</b>	Yes	
<b>Southeast SC:</b>		
<b>School Pool</b>	No	Risk Management Pool <b>Enterprise Fund</b> <sup>xiv</sup>
<b>CCOGA Pool</b>	No	Risk Management Pool <b>Enterprise Fund</b> <sup>xv</sup>
<b>Southwest and West Central SC/Appletree Institute</b> <sup>xvi</sup>		
<b>School Pool</b>	No	Discretely Presented <b>Component Unit</b> <sup>xvii</sup>
<b>CCOGA Pool</b>	No	

Source: Most current audit available. The CCOGA Plans were Fiscal-Year 2003. The School Plans and Service Cooperatives were Fiscal-Year 2004.

<sup>i</sup> The three governmental funds include:

- Insurance Pool Administration – This fund includes providing insurance workshops, wellness conferences, health screening and any other items pertaining to the benefits of insurance pool members. Expenditures predominantly consist of program expenditures. See Lakes Country Notes to the Financial Statements, June 30, 2004, Note C, page 26 and Lakes Country Combined Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds June 30, 2004, page 17.

- Minimum Premium Plan Reserve - This fund is made up of investments and is used to pay the external consulting services, wellness fund for districts and held in investments to pay any excess claims liability for the Cooperative insurance members. *See Lakes Country Notes to the Financial Statements, June 30, 2004, Note C, page 26.*
- The Minimum Premium Plan IBNR – This fund is made up of investments and is determined by BCBSM at the time of settlement. The funds are held to pay any claims run out should the Cooperative and its members decide to dissolve the insurance pools. *See Lakes Country Notes to the Financial Statements, June 30, 2004, Note C, page 27.*

In regard to the agency fund, *see* Fiduciary Fund Statement June 30, 2004, page 24. Agency fund statements only have assets and liabilities. This agency fund is used to account for insurance premiums received from school districts and cities, counties and other governmental agencies, and subsequent disbursement of funds to BCBSM. *See Lakes Country Notes to the Financial Statements June 30, 2004, Note 1.C., page 27.*

<sup>ii</sup> The fund includes activities for the school and city, county and other governmental agency pools. *See* NCSC Management’s discussion and analysis from the Audited Financial Statements for Year Ended June 30, 2004, pages 6 and 7.

<sup>iii</sup> The revenues for the two enterprise funds consist of insurance premiums, administrative fees, and other operating revenues. Expenses of these funds generally consisted of salaries, employee benefits, purchased services, other operating expenses, insurance claims and administration. *See* Proprietary Funds Statements of Net Assets and Statements of Revenues, Expenses, and Changes in Fund Net Assets in NESC’s Annual Financial Statements as of June 30, 2004, pages 16 and 17.

<sup>iv</sup> *Id.*

<sup>v</sup> The Agency fund accounts for the assets that belong to the Northwest Service Cooperative Minimum Premium Funding Plan. *See*, NWSC Management’s Discussion and Analysis June 30, 2004, page 5. The June 30, 2004 financial statements do not specify a separate agency fund name.

<sup>vi</sup> *See* RTS Notes to the Financial Statements Note 1.A. (Discretely Presented Component Units) June 30, 2004, page 22. A component unit is a legally separate organization that a primary government (in this case the service cooperative) is financially accountable for and must include as part of its financial reporting entity for fair presentation in conformity with generally accepted accounting practices (GAAP). *Codification of Governmental Accounting and Financial Reporting Standards §2100.111, see also, Government Finance Officers Association’s Governmental Accounting, Auditing, and Financial Reporting, page 59.* The component units account for assets available for benefits including premiums, health claims, net changes in rate stabilization reserve, and transfers from RSR to IBNR Reserve, etc. Deductions for the component units include health claims paid, administrative expenses and minimum premiums paid, payment of prior years settlements, and transfers to RSR reserves from IBNR reserves.

<sup>vii</sup> It should be noted that GASB Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, eliminated expendable trust funds as a recognized fund type.

<sup>viii</sup> *See* RTS Notes to the Financial Statements June 30, 2004, Note 1.D., page 25. It appears that there is no specific name noted for the trust fund.

<sup>ix</sup> *See* RTS Notes to the Financial Statements Note 1.A. (Discretely Presented Component Units) June 30, 2004, page 22.

<sup>x</sup> *Id.* at footnote, ix.

<sup>xi</sup> *See* RTS’s Notes to the Financial Statements June 30, 2004, Note 1.D., page 25.

<sup>xii</sup> SCSC maintains a special revenue fund titled Provider Network Fund which is used to account for research and development for Minnesota Service Cooperatives (MSC). *See* SCSC Notes to the Financial Statements June 30, 2003, Note 1.B., page 9. This specific information is not included in SCSC’s Notes to the Financial Statements for year-ended June 30, 2004.

<sup>xiii</sup> *See* SCSC Notes to the Financial Statements June 30, 2004, Note 6, page 22. The following insurance reserves make up the agency funds:

- 09-003 “Caremark Recovery Reserve” Relates to recovery of damages as received by BCBSM in settlement of legal action on behalf of its self-funded clients (both pools) against Caremark.
- 09-007 “Insurance Reserves – School Pool” Relates to returns received from BCBSM resulting from quarterly prescription drug refunds and from plan years in which premiums paid exceeded

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paid claims and plan costs. Reserves are utilized to fund pool member wellness programs and to maintain/assure the long-term viability of the pool.

- 09-008 “City-County-Other Governmental Agency Rx Reserve” Relates to quarterly prescription drug refunds from BCBSM.
- 09-011 “IBNR Reserves – School Pool” A “termination reserve”, recalculated at annual settlement, to pay claims run-out in the event the pool’s relationship with BCBSM ceases.
- 09-012 “IBNR Reserve – Cities-Counties-Other Governmental Agency” A “termination reserve”, recalculated at annual settlement, to pay claims run-out in the event the pool’s relationship with BCBSM ceases.

<sup>xiv</sup> See SESC Notes to the Financial Statements, June 30, 2004, Note 1.D., page 16. The School Pool is in the Risk Management Enterprise Fund. See Supplementary Combining Schedule of Revenues and Expenses Risk Management Cost Centers Year Ended June 30, 2004, page 28.

<sup>xv</sup> See SESC Notes to the Financial Statements, June 30, 2004, Note 1.D., page 16. The CCOGA Pool is in the Risk Management Enterprise Fund. See Supplementary Combining Schedule of Revenues and Expenses Risk Management Cost Centers Year Ended June 30, 2004, page 28. There is also a Health Insurance Operating Fund on the same schedule, also page 28.

<sup>xvi</sup> SW/WC pays Appletree Institute monthly for health, life/LTD insurance as a member of the insurance pool. See SW/WC Notes to the Financial Statements June 30, 2004, Note H., page 21. Appletree Institute operates an insurance pool in Minnesota and South Dakota, substantially all of which are local government institutions and nonprofit organizations. See Appletree Institute’s Notes to the Financial Statements June 30, 2004, Note B, page 18.

<sup>xvii</sup> See SW/WC SC Notes to the Financial Statements June 30, 2004, Note 1.B., page 18. On the financial statements for SW/WC SC there is a Fund Balance Reserve in the General Fund for MN Insurance Pool totaling \$6,534,916. See General Fund Balance Sheet June 30, 2004, page 34. In addition, there is a “General Fund Components Statement of Revenues, Expenditures, and Changes in Fund Balance Mn Insurance Pool Projects/Rel Services.” See SW/WC financial statements page 43.