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Bill Fraher, CPA

CAPE COD MUNICIPAL HEALTH GROUP
FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH REQUIRED SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2015 and 2014
WITH INDEPENDENT AUDITOR'S REPORTS

CAPE COD MUNICIPAL HEALTH GROUP
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WITH REQUIRED SUPPLEMENTARY INFORMATION
Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cape Cod Municipal Health Group

Report on the Financial Statements

I have audited the accompanying financial statements and the related notes of the Cape Cod Municipal Health Group (the Group), Barnstable, Massachusetts as of and for the years ended June 30, 2015 and 2014.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 a 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 Group'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 Group's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cape Cod Municipal Health Group as of June 30, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages v through vii and the ten-year claims development information on page 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. I 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge obtained during the audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated December 8, 2015 on my consideration of the Group's internal control over financial reporting and on my 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 of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Group's internal control over financial reporting and compliance.

Bill Fraher, CPA
December 8, 2015

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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 Board of Directors
Cape Cod Municipal Health Group

I have audited, 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, the financial statements and related notes of the Cape Cod Municipal Health Group (the Group), Barnstable, Massachusetts as of and for the years ended June 30, 2015 and 2014 and have issued my report thereon dated December 8, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Group's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, I do not express an opinion on the effectiveness of the Group's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Group's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I consider the deficiency described in the following paragraph to be a significant deficiency in internal control over financial reporting.

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

The Group's Response to the Finding

The Group's Board intends to take this under advisement and to continue to monitor and evaluate financial reporting and internal controls on an ongoing basis and take corrective actions as necessary.

The Group's response to the finding identified during my audit is described above. The Group's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

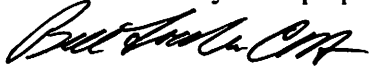
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Group's financial statements are free of material misstatement, I performed tests of the Group's 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 my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards.

I noted certain matters related to internal control over financial reporting and compliance and other matters that I reported to the Group in a separate letter dated December 8, 2015.

Purpose of this Report

This 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 Group'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Bill Fraher, CPA
December 8, 2015

CAPE COD MUNICIPAL HEALTH GROUP
Statement of Net Position
June 30, 2015 and 2014
(Notes 1 and 2)

	2015 Total	2014 Total
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	$ 17,405,369	$ 22,394,360
Investments (Note 3)	13,914,580	13,638,939
Receivables:		
Member accounts	459,711	949,829
Reinsurance claims	891,984	-
Medicare part D receivable	111,772	500,000
Reserve for uncollectible accounts	(10,000)	(10,000)
Total receivables	1,453,467	1,439,829
Prepaid expenses	23,664	426,878
Deposits with insurance carriers	421,500	441,460
Deposits with reinsurance pool	765,157	-
Total assets	$ 33,983,737	$ 38,341,466
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 51,387	$ 40,137
RDS due members	-	287,007
Claims liabilities (Note 5)	13,321,782	12,142,593
Participants' advance contributions	460,779	123,138
Total liabilities	13,833,948	12,592,875
Net Position		
Unrestricted:		
Medical and dental programs	20,149,789	25,748,591
Total unrestricted/net position	20,149,789	25,748,591
Total liabilities and net position	$ 33,983,737	$ 38,341,466

See the accompanying notes to the financial statements.

CAPE COD MUNICIPAL HEALTH GROUP
Statement of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2015 and 2014
(Notes 1 and 2)

	2015 Total	2014 Total
Operating revenues:		
Participants' contributions	$ 138,346,485	$ 138,493,015
Medicare part D refund	1,014,799	1,415,794
Other	18,756	-
Total operating revenues	139,380,040	139,908,809
Operating expenses:		
Health claims incurred	131,629,925	128,699,843
Claims administration charges	6,852,205	6,919,100
Fixed premiums	2,795,664	683,590
Government claims fees	902,026	20,891
Stop loss insurance premiums	2,127,545	1,398,444
Consulting services	540,798	521,666
Wellness program	176,852	170,495
Other administrative services	118,395	81,557
Total operating expenses	145,143,410	138,495,586
Operating income	(5,763,370)	1,413,223
Nonoperating revenues (expenses):		
Investment income	164,568	1,377,789
Distributions to members	-	(1,381,313)
Other income (expense)	-	6,636
Total nonoperating revenues (expenses):	164,568	3,112
Changes in Net position	(5,598,802)	1,416,335
Net position, beginning of year	25,748,591	24,332,256
Net position, end of year	$ 20,149,789	$ 25,748,591

See the accompanying notes to the financial statements.

CAPE COD MUNICIPAL HEALTH GROUP
Statement of Cash Flows
Years Ended June 30, 2015 and 2014
(Notes 1 and 2)

	2015	2014
Cash flows from operating activities:		
Cash received from participants	$ 139,193,000	$ 137,511,289
Other operating cash receipts - Medicare Part D	1,403,027	1,457,032
Cash paid to insurance providers and other vendors	(145,186,938)	(137,492,871)
RDS amounts paid to members and other	(287,007)	(2,466,769)
Net cash provided (used) by operating activities	(4,877,918)	(991,319)
Cash flows from investing activities:		
Purchases and sales of investments (net)	(275,641)	(1,280,509)
Interest income on deposits	164,568	1,377,789
Net cash (used) by investing activities	(111,073)	97,280
Net (decrease) in cash	(4,988,991)	(894,039)
Cash, beginning of year	22,394,360	23,288,399
Cash, end of year	$ 17,405,369	$ 22,394,360
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (5,763,370)	$ 1,413,223
RDS amounts paid to members and other	-	(1,381,313)
Changes in operating assets and liabilities:		
Receivables	490,118	193,522
Medicare part D receivable	388,228	-
Reinsurance	(891,984)	-
Prepaids	(18,286)	(268,456)
Deposits	(323,697)	-
Accounts payable	11,250	34,737
RDS due members	(287,007)	(1,085,456)
Claims liabilities	1,179,189	231,166
Other liabilities	337,641	(128,742)
Net cash provided by operating activities	$ (4,877,918)	$ (991,319)

See the accompanying notes to the financial statements.

Note 1. Description of Group

Cape Cod Municipal Health Group (the Group), Barnstable, Massachusetts, is a Massachusetts Municipal Joint Health Insurance Purchase Group formed pursuant to Massachusetts General Laws, Chapter 32B, Section 12 under a certain joint purchase agreement which became effective in July 1987. The Group became operational in November 1987. As a governmental 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.

The Group offers health benefits to all eligible employees and retirees of its fifty-three participating governmental units.

Participating governmental units consist of those municipal groups that have signed a Joint Negotiation and Purchase of Health Coverage governmental agreement. At June 30, 2015, participants are the towns of Barnstable, Brewster, Chatham, Dennis, Eastham, Falmouth, Harwich, Mashpee, Orleans, Provincetown, Sandwich, Truro, Wellfleet, and Yarmouth; Bourne Recreation Authority; Barnstable Fire District, Centerville-Osterville-Marstons Mills Fire District, Cotuit Fire District, Hyannis Fire District, and West Barnstable Fire District; Bourne Water District, Buzzards Bay Water District, Dennis Water District, Mashpee Water District, North Sagamore Water District, and Sandwich Water District; Orleans/Brewster/Eastham Groundwater Protection District; Cape Cod Collaborative; Cape Cod Regional Technical High School, Dennis-Yarmouth Regional School District, The Lighthouse Charter School, Nauset Regional School District, Monomoy Regional School District; and Upper Cape Cod Vocational Technical High School; Veterans Services of Cape Cod; Barnstable County; and Cape Cod Regional Transit Authority. In addition, the Group entered into a Joint Negotiation Purchase of Health Coverage with the Dukes County Municipal Health Group which now consists of Dukes County Commissioners; the towns of Chilmark, Edgartown, Gosnold, Oak Bluffs, Tisbury, West Tisbury, and Aquinnah; Martha's Vineyard Refuse Disposal and Resource Recovery District; Martha's Vineyard Commission; Martha's Vineyard Land Bank Commission; Oak Bluffs Water District; Martha's Vineyard Regional School District; Up-Island Regional School District; Martha's Vineyard Charter School; and Martha's Vineyard Transit Authority. The number of subscribers in the self-funded medical plans was approximately 10,000 at June 30, 2015 and 2014.

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 Board representatives present at a duly called meeting of the Board 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 the Cape Cod Municipal Health Group Board (the Board) of such intent to withdraw 90 days prior to the stated anniversary date of the basic health contracts and shall take effect on such anniversary date.

There is no liability for premium or administrative 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 proportionate share of any deficit in the Cape Cod Municipal Health Group Trust (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. In the case of a certified surplus (uncommitted fund balance), a unit that withdraws from the Group on anniversary is entitled to receive a proportionate share of any increase in the uncommitted fund balance that occurred during the governmental unit's last year of

Note 1. Description of Group (continued)

participation in the Group. If the uncommitted fund balance did not increase during the unit's last year of participation the unit is not entitled to any share of the uncommitted fund balance.

Contributions to the Group's trust fund from participating governmental units are on a monthly basis. The payment is calculated by the Board and is 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 group administration expenses) as established through underwriting and/or actuarial estimates.

The Group's Board may deal with certified surpluses and deficits through the rate setting process and this is the preferred method. Alternatively, the Group may deal with certified surpluses and deficits by making direct distributions to members in the case of a certified surplus or may require direct payments from members in the case of a certified deficit.

Health benefits plans for active employees and non-Medicare eligible retirees consist of a traditional medical indemnity plan, two Preferred Provider Organization (PPO) plans and two Exclusive Provider Organization (EPO) plans. All active employee plans are self funded with Blue Cross and Blue Shield of Massachusetts (BCBSMA) and Harvard Pilgrim Health Care (HPHC) as third party administrators. The Group offers six health plans for Medicare eligible retirees, which include two self-funded Medicare Supplement medical plans with fully insured Medicare Prescription Drug Plans (PDPs), one of which is administered by BCBSMA and one by HPHC; one fully insured Medicare Supplement plan with a PDP provided by Tufts Health Plan; one HMO Medicare wrap plan fully insured by BCBSMA; and two fully insured Medicare Advantage HMO plans, one of which is from BCBSMA and one from Tufts Health Plan.

Prior to July 1, 2012, the Group offered two benefit options for each EPO and PPO plan: the Legacy option and the Rate Saver option. On July 1, 2012, the Group changed its plan designs following applicable law to do so. The plan design changes resulted in a single option for each EPO and each PPO. These options are similar in plan design to the Group Insurance Commission's "benchmark plan" and include additional member cost-sharing features.

The Group has adopted a contributory dental insurance plan (self-funded) and a voluntary dental plan, which was premium based through June 30, 2007 and changed to a self-funded basis effective July 1, 2007. These plans are administered by Delta Dental Plan of Massachusetts for a monthly administration fee, based on the number of subscribers.

Effective July 1, 2009, the Group adopted a voluntary fully insured vision plan from EyeMed Vision Care. The vision plan is optional for employers

Master Health Plus, Blue Care Elect Preferred PPO plan, Network Blue EPO plan, and Medex 2 plan are on a claims-paid basis and are administered by Blue Cross and Blue Shield of Massachusetts for a monthly administration fee based on the number of individual, single parent/single child, and family plan subscribers for that particular month. Medex 2 is combined with a fully insured PDP provided by Blue Cross Blue Shield and called Blue Medicare RX.

The Harvard Pilgrim EPO plan, Harvard Pilgrim PPO plan, and Harvard Pilgrim Health Care Medicare Enhance plan are on a claims-paid basis and are administered by Harvard Pilgrim Health Care

Note 1. Description of Group (continued)

for a monthly administration fee based on the number of individual and family plan subscribers for that particular month. Medicare Enhance is combined with a fully insured PDP from Coventry First Health.

Until July 1, 2014 the Group 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 a $500,000 Aggregating Specific Deductible, and to a lifetime maximum amount payable of $2,000,000.

On July 1, 2014 the Group joined with two other Massachusetts municipal joint purchase groups to create the first Massachusetts Municipal Pooling Arrangement (MMRA). The policy year is July 1 through June 30. 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 proporational basis. Participating governmental entities have agreed to participate for a minimum of three years.

The Group does not reinsure its Medex and HPHC Medicare Enhance plans. The policy period covers claims incurred within 12 months and paid within 24 months.

The Group employs the services of John R. Sharry, Incorporated, d/b/a Group Benefits Strategies (GBS), to provide certain management, consulting, and technical functions and to audit medical claims paid. The current agreement with GBS is for a three-year term ending June 30, 2017, and provides for an annual fee based on the number of subscribers. The agreement may be terminated by either party at any time with sixty (60) days prior, written notice.

Note 2. Summary of Significant Accounting Policies

Financial statements present net position at June 30, revenues, expenses, and changes in net position and cash flows for the year 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.

Surplus and deficits are accounted for separately for the medical programs and the dental program. Accordingly, these funds are presented separately in the accompanying financial statements.

Contributions to the plans from participating governmental units are determined annually for the next fiscal year based on current operating results and estimated program costs for that year. Participants are billed monthly. Participant advance contributions are recorded as liabilities until earned.

Cash and Cash Equivalents

Generally, the Group is authorized to invest in the following investments: term deposits or certificates of deposit, trust companies, national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States Government or an agency thereof and having a maturity from date of purchase of one year or less with certain other limitations, or such securities as are legal for the investment of funds of savings banks under the bank's laws of the Commonwealth of Massachusetts based on a legal opinion received by the Group.

Note 2. Summary of Significant Accounting Policies (continued)

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.

Claims' Liabilities

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

Reinsurance

The Group does not include reinsured risks as liabilities unless it is probable that those risks will not be covered by the reinsurer. Amounts recoverable through reinsurers on paid claims are classified as receivable and as a reduction of claims expense. The amount recorded as deposits with reinsurance pool represents the amount on deposit with the group's Massachusetts Municipal Pooling Arrangement to cover potential reinsurance claims in excess of reinsurance policy limits.

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 estimates.

Note 3. Cash, cash equivalents and investments

The Group maintains deposits in several authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Group's deposits may not be returned. The Group does not have a formal deposit policy for custodial credit risk. At June 30, 2015 and 2014 deposits totaled $17,217,942 and $22,791,701, respectively and had a carrying amount of $17,405,369 and $22,394,360, respectively. Of the deposit amounts at June 30, 2015 and 2014, $4,214,425 and $2,962,806, respectively, which includes $10,580 and $10,556, respectively on deposit with MMDT, was exposed to custodial credit risk at June 30, 2015 and 2014 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

Note 3. Cash, cash equivalents and investments (continued)

The Group maintains two accounts for investments which hold the following at June 30, 2015 and 2014:

Type	Fair Market Value June 30, 2015	% of Total	Fair Market Value June 30, 2014	% of Total
US Government & agencies	$4,557,063	33%	$4,493,070	33%
Equity securities	2,756,888	20%	3,051,550	22%
Equity mutual funds	2,718,040	19%	2,823,129	21%
Corporate bonds	1,111,531	8%	1,066,763	8%
Fixed income mutual funds	2,771,058	20%	2,204,427	16%
	$13,914,580		$13,638,939	

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 has an investment subcommittee that monitors this risk however the Group does not have a specific investment policy covering custodial credit risk. Investments in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The investment account is insured by Securities Investor Protection Corporation (SIPC) up to $500,000 and is otherwise uninsured and uncollateralized.

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 has an investment policy which limits the overall portfolio allocation of fixed income securities to 85% of the total portfolio, but does not otherwise limit the maturities of fixed income securities or further address interest rate risk. The approximate maturities of the Group's debt investments are disclosed in the following table as of June 30, 2015:

		Maturity (In Years)			
Investment Type	Fair Market Value	One or Less	One to Two	Three to Five	Thereafter
US Govt. and agency securities	$ 4,557,063	$ 176,732	$ 1,347,946	$ 2,100,526	$ 931,859
Corporate Bonds	1,111,531	203,364	-	908,167	-7
Fixed income mutual funds:	2,771,058	2,771,058	-	-	-
Total	$ 8,439,652	$ 3,151,154	$ 1,347,946	$3,008,693	$ 931,859

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 in following table. Equity securities are not rated as to credit risk. The Group has an investment policy which limits the overall portfolio allocation but is not specific as to limit investment choices to certain ratings. The following table discloses the approximate amount of debt investments in each rating classification using Standard & Poor's rating classifications as of June 30, 2015:

Note 3. Cash, cash equivalents and investments (continued)

Investment Type	Fair Market Value	S&P Rating as of Year End: AAA to AA+	A to AA	BAA to B	Not Rated
US Govt. and agency securities	$ 4,557,063	$ 4,557,063	$ -	$ -	$ -
Corporate Bonds	1,111,531	-	1,009,861	101,670	-
Fixed income mutual funds	2,771,058	-	-	-	2,771,058
Total	$ 8,439,652	$ 4,557,063	$1,009,861	$ 101,670	$2,771,058

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Group has an investment policy which prohibits any one issue (excluding US Government securities) from making up more than 5% of the portfolio. As of June 30, 2015, there are no securities exceeding this threshold.

Note 4. Plan Deposits and Payment Arrangements

The Group pays Blue Cross & Blue Shield (BC/BS) and Harvard Pilgrim Health Care (HPHC) a level, monthly payment each month to cover the expected cost of claims for that month. The amount represents approximately one month of projected claims for BC/BS and HPHC plans. There is a quarterly reconciliation and settle-up against actual claims payments made by BC/BS and HPHC on behalf of the Group. Quarterly settlements are generally made for the 1st, 2nd, 3rd, and 4th fiscal year quarters in December, March, June, and September respectively. The Group pays BC/BS, HPHC monthly, and Delta Dental administrative fees for self-funded health plans based on the number of individual and family subscribers covered under each health plan for the month.

Note 5. Unpaid Claims

The Group establishes a liability for both reported and unreported incurred events which includes estimates of both future payments of losses and related adjustment expenses, if any. The following represents changes in claims liabilities during the years ended June 30, 2015 and 2014:

	2015	2014
Unpaid claims and claims adjustment expenses–beginning of year	$12,142,593	$11,911,427
Incurred claims and claims adjustment expenses:		
Provision for insured events of the current fiscal year	131,893,512	131,745,011
Increase (decrease) in provision for insured events of prior fiscal years	(263,587)	(3,045,168)
	131,629,925	128,699,843
Payments:		
Claims and expenses, net, attributable to insured events – current year	(121,615,182)	(119,600,702)
Claims and expenses, net, attributable to insured events – prior years	(8,835,554)	(8,867,975)
	(130,450,736)	(128,468,677)
Total unpaid claims and claim adjustment expenses–end of year	$ 13,321,782	$ 12,142,593