

MICARE HEALTH INSURANCE PLAN
(A COMPONENT UNIT OF THE FEDERATED STATES
OF MICRONESIA NATIONAL GOVERNMENT)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

**MICARE HEALTH INSURANCE PLAN
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MICRONESIA NATIONAL GOVERNMENT)**

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Years Ended September 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
MiCare Health Insurance Plan:

Report on the Financial Statements

We have audited the accompanying financial statements of MiCare Health Insurance Plan (the "Plan"), a component unit of the Federated States of Micronesia National Government, which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MiCare Health Insurance Plan as of September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

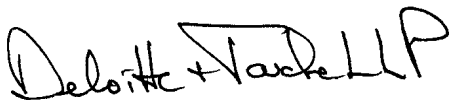
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 8 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 March 23, 2023, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

March 23, 2023

**MICARE HEALTH INSURANCE PLAN
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

The following discussion and analysis on the financial performance and activity of MiCare Health Insurance Plan (the Plan) is to provide an introduction and understanding on the basic financial statements of the Plan for the fiscal year ended September 30, 2021. This discussion has been prepared by the management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

Background

FSM National Government Employee's Health Insurance Plan (FSMNGEHIP), was established by the Federated States of Micronesia under Public Law 3-82 that was enacted on December 26, 1984 for the purpose of establishing a fund to pay for eligible members' certain medical expenses both on-island and off-island.

Participation to the Plan is optional for employees and employers, both public and private entities, in the Federated States of Micronesia with the exception of FSM National Government employees wherein their enrollment to the program is mandatory. Premiums are paid on a fixed bi-weekly rate for the five plan options: non-referral option, basic option, supplemental resident option, supplemental non-resident option, and regional/international workers option.

The Plan is under the governance of the Board of Directors, which consists of four (4) member representatives from each state government, one (1) from the FSM National Government, and one (1) member representing the private health sector, all of which are appointed by the President and confirmed by the FSM Congress. The seventh member of the board is the Administrator who is appointed by the Board of Directors and serves as an ex-officio member.

In fiscal year 2018, Public Law No. 20-72 amended Section 401 to change FSM National Government Employees Health Insurance Plan to MiCare Health Insurance Plan.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Plan. There are three financial statements presented, namely the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements present the overall financial picture of the Plan from the economic resources measurement focus using the accrual basis of accounting.

The accounts of MiCare Health Insurance Plan are organized as a proprietary fund. Proprietary funds are used by governmental units that are operated in a manner similar to private business enterprises. The Plan's budget is prepared by management with the concurrence of the board of directors.

Financial Highlights

- Total net position at the end of FY2021 is \$4,105,407.
- Total liabilities in FY2021 decreased by \$1,603,913 in comparison to 2020.
- There was a \$360,697 increase in net operating revenue comparing 2021 to 2020.
- Total operating expenses decreased by \$1,311,713 or 30% from \$5,532,736 in 2020 to \$4,221,023 in 2021.
- Total non-operating revenues in FY2021 are \$1,076,487 of which \$580,000 was an appropriation from FSM Congress and \$500,336 were payments to stranded medical referral patients.

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Management's Discussion and Analysis
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Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net assets of the Plan as of the end of the fiscal year. This statement is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Plan. The statement of net position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities).

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the Plan. They also are able to determine how much the Plan owes vendors and others. Finally, the statement of net position provides a picture of the net assets (assets minus liabilities), which is a useful indicator of whether the overall financial position of the Plan is improving or weakening.

The following table summarizes the financial condition of the Plan as of September 30, 2021, 2020 and 2019.

Table 1: Summary of Net Position of MiCare Health Insurance Plan

	2021	2020	2019
Assets:			
Current assets	\$ 4,518,296	\$ 2,320,823	\$ 1,533,084
Noncurrent assets	<u>337,054</u>	<u>297,149</u>	<u>261,989</u>
Total assets	<u>\$ 4,855,350</u>	<u>\$ 2,617,972</u>	<u>\$ 1,795,073</u>
Liabilities:			
Current liabilities	\$ <u>749,943</u>	\$ <u>2,353,856</u>	\$ <u>3,823,378</u>
Net position (deficiency):			
Invested in capital	110,531	59,206	34,213
Unrestricted	<u>3,994,876</u>	<u>204,910</u>	<u>(2,062,518)</u>
Total net position (deficiency)	<u>4,105,407</u>	<u>264,116</u>	<u>(2,028,305)</u>
Total liabilities and Net position	<u>\$ 4,855,350</u>	<u>\$ 2,617,972</u>	<u>\$ 1,795,073</u>

Current assets increased by \$2,197,473 compared to prior year. Cash and cash equivalents increased by \$1,565,550. The increase in cash and cash equivalents resulted due to the travel restriction to Philippines causing a reduction in basic approved referrals to the Philippines.

Investments increased by \$623,769 compared to 2020. Premiums receivable for 2021 increased by \$8,154. One hundred percent of accounts receivable as of September 30, 2021 and 2020 are recorded as bad debts due to no movement of the accounts for over one year.

Noncurrent assets comprised the Plan's property and equipment, net of accumulated depreciation. For additional information concerning capital assets, please see note 5 to the financial statements.

Current liabilities in FY2021 decreased by \$1,603,913 as compared to FY2020. Table 2 below gives a breakdown of what comprised total liabilities as of September 30, 2021:

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Management's Discussion and Analysis
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Table 2: Breakdown of Liabilities as of September 30, 2021 for MiCare Health Insurance Plan

Genesis Clinic (Out-Patient)	\$ 93,689
Genesis Hospital (In-Patient)	45,067
Genesis Dental	70,896
Pohnpei Community Health Center	5,479
Pohnpei Family Health Clinic	5,608
Family Clinic & Pharmacy	534
Yap State Hospital	<u>45,000</u>
Total On-island Claim Liability as of 09/30/21	\$ <u>266,273</u>
Total Off-island Claims Hawaii/Guam/Others	\$ 107,375
Total Off-island Claims Manila	36,945
Reimbursements	<u>3,582</u>
Total Off-island Claim liability as of 09/30/21	\$ <u>147,902</u>
IBNR	\$ 238,970
Other Accounts Payable	20,535
Accrued Expenses	1,127
Accrued Annual Leave	15,515
Payroll Liabilities	1,242
Customer Credit Balance	9,960
Unearned Revenue	<u>46,419</u>
Total Other Liabilities as of 09/30/21	\$ <u>335,768</u>
Total Current Liabilities	\$ <u>749,943</u>

The net position for the year 2021 increased by \$3,841,291 leaving an ending net position of \$4,105,407.

Changes in total net position as presented on the statement of net position are based on the activity in the statement of revenues, expenses and changes in net position. The purpose of this statement is to present the revenues received by the Plan, both operating and non-operating, and expenses incurred by the Plan, operating and non-operating, and any revenues, expenses, gains and losses earned incurred by the Plan.

Insurance premiums collected from plan members are the major source of operating revenues of MiCare Plan. Operating expenses are those medical expenses incurred by plan members and the necessary cost to administer the Plan to carry out its mission. Non-operating revenues are revenues received for which goods or services are not provided such as investment income, appropriations from FSM National Government and others.

The following table summarizes the financial operations of MiCare Plan for the years ended September 30, 2021, 2020 and 2019:

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Table 3: Summary of Financial Operations of MiCare Health Insurance Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 6,985,827	\$ 6,625,130	\$ 6,275,025
Operating expenses	<u>4,221,023</u>	<u>5,532,739</u>	<u>7,916,295</u>
Net operating income (loss)	2,764,804	1,092,391	(1,641,271)
Non-operating revenues	<u>1,076,487</u>	<u>1,200,030</u>	<u>1,204,964</u>
Increase (decrease) in net position	3,841,291	2,292,421	(436,307)
Net position (deficiency) at beginning of year	<u>264,116</u>	<u>(2,028,305)</u>	<u>(1,591,999)</u>
Net position (deficiency) at end of year	<u>\$ 4,105,407</u>	<u>\$ 264,116</u>	<u>\$ (2,028,305)</u>

In fiscal year 2021, the net operating revenue collection was \$6,986,156 (total revenue of \$7,039,273 less uncollectible accounts of \$53,116).

Table 4: Comparison of gross operating revenues for 2021, 2020 and 2019 follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Insurance premiums	\$ 7,036,962	\$ 6,862,895	\$ 6,442,875
Miscellaneous	<u>1,981</u>	<u>3,008</u>	<u>2,982</u>
	<u>\$ 7,038,943</u>	<u>\$ 6,865,903</u>	<u>\$ 6,445,857</u>

Table 5 below indicates health premium and extended pharmacy premium by state (both private and public) and national agencies (FSM National Government).

Table 5: Breakdown of premium collections by State and National in FY2021

Premium Revenue for Fiscal Year 2021							
	<u>Pohnpei State</u>	<u>Kosrae State</u>	<u>Chuuk State</u>	<u>Yap State</u>	<u>National Agencies</u>	<u>Overseas</u>	<u>Total Premiums</u>
Health Insurance Premiums	\$ 4,257,321	\$ 678,636	\$ 209,767	\$ 511,771	\$ 1,269,423	\$ 30,116	\$ 6,957,034
Extended Pharmacy	<u>26,392</u>	<u>1000</u>	<u>200</u>	<u>1,000</u>	-	<u>200</u>	<u>28,792</u>
	<u>\$ 4,283,714</u>	<u>\$ 679,636</u>	<u>\$ 209,967</u>	<u>\$ 512,771</u>	<u>\$ 1,269,423</u>	<u>\$ 30,316</u>	<u>\$ 6,985,827</u>

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Of the total amount of health premiums in fiscal year 2021, Pohnpei State had the highest premium contribution to the Plan, from which the Plan collected approximately \$4,257,321 (61%); followed by National \$1,269,423 (18%); Kosrae State \$679,636 (10%); Yap State \$512,771 (7%), Chuuk State \$209,967 (3%) and Overseas \$28,535 (less than 1%). Premiums for each state represent premiums received from state government, agencies, private business and individual accounts.

The extended pharmacy coverage is optional and is only for members who need more than 30 supplies of medicine. Total collection for extended pharmacy premium was \$28,792. Pohnpei has the highest members under the extended pharmacy coverage followed by Yap, Kosrae, Chuuk and Overseas members.

Total operating expenses for fiscal year 2021 decreased by 23.7% to \$4,221,023 compared to \$5,532,739 in 2020. Medical claims and administrative expenses are the two major types of operating expenses of the Plan.

Table 6: Comparison of operating expenses for 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Expenses			
Medical Claims	\$ 3,736,651	\$ 4,988,785	\$ 7,259,273
Administration	<u>484,372</u>	<u>543,954</u>	<u>657,022</u>
	<u>\$ 4,221,023</u>	<u>\$ 5,532,739</u>	<u>\$ 7,916,295</u>

Medical expenses of \$3,736,651 in fiscal year 2021 decreased by \$1,252,134 (25%) compared with 2020. The following table below indicates the medical expenses by types of claims for fiscal year 2021.

Table 7: Breakdown of cost associated to medical services/non-medical services

<u>State</u>	<u>Off Island Claims</u>	<u>Airfare</u>	<u>Chronic Medicine</u>	<u>Stipend/Visa Ambulance Transportation</u>	<u>Allowance For Standard Patients</u>	<u>Capitation</u>	<u>On Island Claim</u>	<u>Total Medical Expenses</u>
Pohnpei	\$ 1,542,669	\$ -	\$ 198,216	\$ 3,621	\$ 500,336	\$ 456,000	\$ 1,245,544	\$ 3,946,387
Kosrae	69,279	713	-	13,385	-	120,000	-	203,377
Chuuk	2,590	-	6,265	-	-	72,000	475	81,330
Yap	185,989	-	262	1260	-	63,000	-	250,511
Overseas	62,550	-	2,141	-	-	-	-	64,690
*Medical	137,154	-	-	-	-	-	30,634	167,788
** (Over)/Under								
Statements of								
Medical Claims	<u>(696,111)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(281,321)</u>	<u>(977,432)</u>
	<u>\$ 1,304,120</u>	<u>\$ 713</u>	<u>\$ 206,885</u>	<u>\$ 18,266</u>	<u>\$ 500,336</u>	<u>\$ 711,000</u>	<u>\$ 995,332</u>	<u>\$ 3,736,651</u>

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Net administrative expenses for 2021 were \$484,372.

Management's Discussion and Analysis for the fiscal year ended September 30, 2020 is set forth in the MiCare Plan's report on the audit of financial statements, which is dated March 24, 2022. That Discussion and Analysis explains the major factors impacting the 2020 financial statements and can be obtained via the Office of the Public Auditor's website at www.fsmopa.fm or MiCare Plan's website at www.micareplan.fm.

Economic Outlook

The long-term viability of MiCare Health Insurance will always be at risk. Border lockdown and travel restrictions played a big role in MiCare's improved financial health from 2020 to 2021 because basic referrals to the Philippines were put on hold. In August 2022, the lockdown or travel restrictions was lifted and basic referrals resumed. In 2023, with the increase in the cost of airfare and an increase in medical cost, MiCare is projecting \$6.1 mil in medical and non-medical expenses.

Our general mode of operation continues to be cautious to protect the safety of the members' funds, to ensure Plan sustainability and continue to implement improvements outlined in the 5-year Strategic Plan wherever possible.

For any questions or clarification, please contact MiCare office by telephone (691) 320-2549 or email info@micareplan.fm.

The Management's Discussion and Analysis is designed to provide a general overview of Plan's financial condition and performance. Questions concerning any of the information provided in this discussion and analysis or requests of information should be addressed to the Plan Administrator, MiCare Plan, PO Box 2156, Kolonia, Pohnpei FM 96941.

**MICARE HEALTH INSURANCE PLAN
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Statements of Net Position
September 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 2,581,648	\$ 1,016,098
Investments	1,825,788	1,202,019
Premiums receivables	110,860	102,706
Accounts receivable, net	-	-
Total current assets	<u>4,518,296</u>	<u>2,320,823</u>
Capital assets:		
Nondepreciable capital assets, net of impairment	62,585	-
Capital assets, net of accumulated depreciation	<u>47,946</u>	<u>59,206</u>
	110,531	59,206
Deposits with service providers	<u>226,523</u>	<u>237,943</u>
Total assets	<u><u>\$ 4,855,350</u></u>	<u><u>\$ 2,617,972</u></u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable - medical claims	\$ 673,340	\$ 2,250,494
Accounts payable - other	<u>76,603</u>	<u>103,362</u>
Total liabilities	<u>749,943</u>	<u>2,353,856</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	110,531	59,206
Unrestricted	<u>3,994,876</u>	<u>204,910</u>
Total net position	<u>4,105,407</u>	<u>264,116</u>
Total liabilities and net position	<u><u>\$ 4,855,350</u></u>	<u><u>\$ 2,617,972</u></u>

See accompanying notes to financial statements.

MICARE HEALTH INSURANCE PLAN
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Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Insurance premiums	\$ 7,036,962	\$ 6,862,895
Miscellaneous	1,981	3,008
	7,038,943	6,865,903
Less uncollectible accounts	(53,116)	(240,773)
Net operating revenues	6,985,827	6,625,130
Operating expenses:		
Medical claims	3,736,651	4,988,785
Personnel services	307,282	336,598
Contractual services	54,480	53,872
Rent	35,236	34,571
Depreciation	18,815	15,473
Communications	14,151	16,079
Supplies	13,445	18,272
Utilities	10,791	11,428
Travel	1,688	40,593
Miscellaneous	28,484	17,068
Net operating expenses	4,221,023	5,532,739
Earnings from operations	2,764,804	1,092,391
Non-operating revenues:		
Contribution from FSM National Government	1,080,336	1,145,935
Net (decrease) increase in the fair value of investments	(4,780)	50,732
Other revenues	931	3,363
Total net non-operating revenues	1,076,487	1,200,030
Change in net position	3,841,291	2,292,421
Net position at beginning of year	264,116	(2,028,305)
Net position at end of year	\$ 4,105,407	\$ 264,116

See accompanying notes to financial statements.

**MICARE HEALTH INSURANCE PLAN
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Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Premiums received	\$ 6,977,673	\$ 6,638,259
Medical claims and benefits paid	(5,313,805)	(6,462,391)
Cash paid to suppliers and employees	(481,235)	(534,565)
	1,182,633	(358,697)
Net cash provided by (used in) operating activities	1,182,633	(358,697)
Cash flows from capital and related financing activities:		
Acquisition of fixed assets	(70,141)	(40,466)
	(70,141)	(40,466)
Cash flows from investing activities:		
Net purchases, sales and maturities of investments	(629,416)	(22,096)
Interest and dividends received	2,138	25,460
	(627,278)	3,364
Net cash (used in) provided by investing activities	(627,278)	3,364
Cash flows from noncapital financing activities:		
Contribution from the FSM National Government	1,080,336	1,145,935
	1,080,336	1,145,935
Net change in cash and cash equivalents	1,565,550	750,136
Cash and cash equivalents at beginning of year	1,016,098	265,962
	1,016,098	265,962
Cash and cash equivalents at end of year	\$ 2,581,648	\$ 1,016,098
Reconciliation of earnings from operations to net cash provided by (used in) operating activities:		
Earnings from operations	\$ 2,764,804	\$ 1,092,391
Adjustment to reconcile earnings from operations to net cash provided by (used in) operating activities:		
Depreciation	18,815	15,473
Bad debts	53,116	240,773
(Increase) decrease in assets:		
Premium receivable	(61,270)	(67,970)
Accounts receivable	-	(159,674)
Deposits with service providers	11,420	(10,167)
Increase (decrease) in liabilities:		
Accounts payable - medical claims	(1,577,153)	(1,473,607)
Accounts payable - other	(27,099)	4,084
	(1,577,153)	(1,473,607)
Net cash provided by (used in) operating activities	\$ 1,182,633	\$ (358,697)

See accompanying notes to financial statements.

**MICARE HEALTH INSURANCE PLAN
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Notes to Financial Statements
September 30, 2021 and 2020

(1) Reporting Entity

FSM National Government Employees' Health Insurance Plan also known as MiCare Plan, Inc. (the Plan) was initially created by Public Law 3-82 in 1984 and amended by Public Law 12-77 of the Twelfth Congress of the Federated States of Micronesia (FSM) National Government in 2003. Public Law 20-72, MiCare Health Insurance Plan Act of 1984, which amended title 52 of the Code of FSM to realign the name of the Plan to "MiCare Health Insurance Plan". On March 21, 2019 the FSM Office of the Registrar of Corporations approved the adopted changes to the MiCare regulations which become effective April 1, 2019. The purpose of the Plan is to provide, arrange for, pay for, or reimburse the costs of medical, dental and vision treatment and care, hospitalization, surgery, prescription drugs, medicine, prosthetic appliances, out-patient care, and other medical care benefits, in cash or the equivalent in medicines and supplies.

The Plan's financial statements are incorporated into the financial statements of the FSM National Government as a component unit. The Plan is under the governance of a seven-member Board of Directors, four of whom represent each of the four states of the FSM, one represents the FSM National Government, and one represents the private healthcare sector. These six members are appointed by the FSM President with the confirmation of the FSM Congress. The seventh member of the Board is the Plan Administrator who is selected by the Board and serves as an ex-officio member.

(2) Summary of Significant Accounting Policies

The accounting policies of the Plan conform to accounting principles generally accepted in the United States of America as applicable to governmental entities, specifically proprietary funds.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and modified by GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB Statement No. 34, equity is presented in the following net position categories:

- Net investment in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.
- Unrestricted; net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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 disclosure 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 could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of unbilled medical claims.

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net total assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues are reported as non-operating. Operating expenses includes the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses.

Revenue Recognition

Health care premiums from enrolled members of the Plan are reported as revenue in the period such becomes due.

Cash and Cash Equivalents

For the purposes of the statements of net position and of cash flows, cash and cash equivalents are defined as cash in bank checking and savings accounts.

Investments

Investments and related investment earnings are recorded at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

Premiums and Accounts Receivable

Premiums receivable are primarily due from the FSM National Government and its four States. Accounts receivable mainly include patient's share of the medical billings paid by the Plan. The Plan establishes an allowance for uncollectible accounts based on the credit risk of specific customers, historical trends and other information. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. As of September 30, 2021 and 2020, the allowance for uncollectible accounts related to premium receivable was \$70,674 and \$101,812, respectively.

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Deposits with Service Providers

Security deposits for medical claims are maintained for certain services providers and are recorded as deposits with service providers in the accompanying statements of net position.

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Depreciation is based on the straight-line method over the estimated useful lives of the respective assets. All of the assets have an estimated useful life of three to five years. The Plan capitalizes assets with individual values of \$1,000 and over. Assets with a value below \$1,000 are expensed in the year of purchase.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The Plan has no items that qualify for reporting in this category.

Medical Claims Payable

Medical claims payable represents the estimated liability on claims reported to the Plan and reserves for claims incurred but not yet reported. The liabilities for claims are determined using estimates of the ultimate net cost of all claims incurred through the financial statement date. While management believes that the liability for medical claims payable is adequate, such estimates may be more or less than the amounts ultimately paid when the claims are settled.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (addition of net position) until then. The Plan has no items that qualify for reporting in this category.

New Accounting Standards

During the year ended September 30, 2020 , GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, the Plan implemented the following pronouncements:

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the fiscal year ending September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for the fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for the fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. Management does not believe that this statement upon implementation, will have a material effect on the financial statements. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

(3) Deposits and Investments

A. Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Plan does not have a deposit policy for custodial credit risk.

As of September 30, 2021 and 2020, the carrying amount of the Plan's total cash and cash equivalents was \$2,581,648 and \$1,016,098, respectively, and the corresponding bank balance was \$2,709,473 and \$1,115,472, respectively, which is primarily maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021 and 2020, bank deposits in the amount of \$250,000 for both years were FDIC insured. The Plan does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. Management's confidence in the financial strength of their banking institutions was the basis of the decision to not require collateralization. No losses as a result of this practice were incurred for the years ended September 30, 2021 and 2020.

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Notes to Financial Statements
September 30, 2021 and 2020

(3) Deposits and Investments, Continued

B. Investments:

As of September 30, 2021 and 2020, investments are as follows:

	<u>2021</u>	<u>2020</u>
Fixed income securities:		
Domestic fixed income	\$ 1,825,788	\$ 1,172,726
Other investments:		
Money market funds	<u>-</u>	<u>29,293</u>
	<u>\$ 1,825,788</u>	<u>\$ 1,202,019</u>

As of September 30, 2021 the Plan's fixed income securities had the following maturities:

	Moody's	Less Than	1 to 5	6 to 10	Fair
	<u>Credit Rating</u>	<u>1 Year</u>	<u>Years</u>	<u>Years</u>	<u>Value</u>
U.S. Treasury obligations	AAA	\$ 257,120	\$ 869,645	\$ 230,168	\$ 1,356,933
U.S. Government agencies obligations	AAA	-	113,706	74,580	188,286
Corporate bonds	Aaa	-	1,927	-	1,927
Corporate bonds	Aa	2,012	2,115	24,507	28,634
Corporate bonds	A	27,215	43,508	95,114	165,837
Corporate bonds	Baa	<u>-</u>	<u>29,601</u>	<u>54,570</u>	<u>84,171</u>
		<u>\$ 286,347</u>	<u>\$ 1,060,502</u>	<u>\$ 478,939</u>	<u>\$ 1,825,788</u>

As of September 30, 2020, the Plan's fixed income securities had the following maturities:

	Moody's	Less Than	1 to 5	6 to 10	Fair
	<u>Credit Rating</u>	<u>1 Year</u>	<u>Years</u>	<u>Years</u>	<u>Value</u>
U.S. Treasury obligations	AAA	\$ 292,624	\$ 412,803	\$ 99,238	\$ 804,665
U.S. Government agencies obligations	AAA	-	59,947	-	59,947
Corporate bonds	Aaa	-	-	2,016	2,016
Corporate bonds	Aa	18,181	4,216	21,474	43,871
Corporate bonds	A	37,264	67,785	73,814	178,863
Corporate bonds	Baa	<u>8,038</u>	<u>33,664</u>	<u>41,662</u>	<u>83,364</u>
		<u>\$ 356,107</u>	<u>\$ 578,415</u>	<u>\$ 238,204</u>	<u>\$ 1,172,726</u>

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Plan's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the Plan's name by the Plan's custodial financial institution at September 30, 2021 and 2020.

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September 30, 2021 and 2020

(3) Deposits and Investments, Continued

B. Investments, Continued:

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the Plan. As of September 30, 2021 and 2020, no investments in any one issuer (other than the U.S. Treasury) represented five percent or more of total investments for the Plan.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and, Level 3 inputs are significant unobservable inputs. The Plan has the following recurring fair value measurements as of September 30, 2021 and 2020:

	<u>Fair Value Measurements Using</u>			
	September 30, 2021	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	\$ 1,825,788	\$ _____	\$ <u>1,825,788</u>	\$ _____
	<u>Fair Value Measurements Using</u>			
	September 30, 2020	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	\$ 1,172,726	\$ _____	\$ <u>1,172,726</u>	\$ _____
Investments measured at amortized cost:				
Money market funds	<u>29,293</u>			
	\$ <u>1,202,019</u>			

(4) Accounts Receivable

A summary of accounts receivable at September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 853,546	\$ 851,989
Allowance for doubtful accounts	<u>(853,546)</u>	<u>(851,989)</u>
	\$ _____	\$ _____

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(5) Capital Assets

Capital asset activities for the years ended September 30, 2021 and 2020, are as follows:

	Balance October 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2021</u>
Depreciable assets:				
Office furniture, fixtures and equipment	\$ 122,291	\$ 3,756	\$ (30,022)	\$ 96,025
Vehicles	<u>124,959</u>	<u>3,800</u>	<u>(28,671)</u>	<u>100,088</u>
	247,250	7,556	(58,693)	196,113
Less accumulated depreciation	<u>(188,044)</u>	<u>(18,816)</u>	<u>58,693</u>	<u>(148,167)</u>
	59,206	(11,260)	-	47,946
Non-depreciable assets:				
Construction in progress	323,000	62,585	-	385,585
Less allowance for impairment loss	<u>(323,000)</u>	<u>-</u>	<u>-</u>	<u>(323,000)</u>
	<u>-</u>	<u>62,585</u>	<u>-</u>	<u>62,585</u>
Capital assets, net	\$ <u>59,206</u>	\$ <u>51,325</u>	\$ <u>-</u>	\$ <u>110,531</u>
	Balance October 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2020</u>
Depreciable assets:				
Office furniture, fixtures and equipment	\$ 118,252	\$ 4,039	\$ -	\$ 122,291
Vehicles	<u>88,532</u>	<u>36,427</u>	<u>-</u>	<u>124,959</u>
	206,784	40,466	-	247,250
Less accumulated depreciation	<u>(172,571)</u>	<u>(15,473)</u>	<u>-</u>	<u>(188,044)</u>
	34,213	24,993	-	59,206
Non-depreciable assets:				
Construction in progress	323,000	-	-	323,000
Less allowance for impairment loss	<u>(323,000)</u>	<u>-</u>	<u>-</u>	<u>(323,000)</u>
Capital assets, net	\$ <u>34,213</u>	\$ <u>24,993</u>	\$ <u>-</u>	\$ <u>59,206</u>

**MICARE HEALTH INSURANCE PLAN
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Notes to Financial Statements
September 30, 2021 and 2020

(6) Commitments and Contingencies

Litigation

The Plan is a party to various legal proceedings, the ultimate impact of which is not currently predictable. Therefore, no liability has been recorded in the accompanying financial statements due to management's inability to predict the ultimate outcome of these proceedings.

Self Insurance

The Plan carries vehicle insurance to cover its potential risks. The Plan is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice during the past three years.

Lease Commitments

The Plan has an operating lease as of September 30, 2021 for the main office in Pohnpei with a 5-year term expiring on February 28, 2023. The lease has an option allowing the Plan to renew the lease upon expiration of the current term. It is likely that this option will be utilized by the Plan and the leases renewed. The future minimum lease payments excluding renewals, are as follows:

<u>Year Ending September 30,</u>	<u>Total</u>
2022	\$ 32,076
2023	<u>13,365</u>
	\$ <u>45,441</u>

Going Concern

The accompanying financial statements have been prepared in conformity with GAAP, which contemplates the continuation of the Plan as a going concern. However, the Plan has sustained operating losses in recent years but due to the economic impact of Covid-19, which deferred substantial medical costs, the Plan has a net position of \$4,105,407 at September 30, 2021. However, once the borders reopen, it is expected that revenues will remain consistent and medical claims will increase substantially.

Management believes actions presently being undertaken are sufficient to improve the Plan's operating requirements in the implementation of a "5-year Strategic Plan 2019-2023", which established specific objectives up to year 2023. The goal of the strategic plan is to strengthen the Plan's financial solvency and operational efficiency, and increase enrollment of the Plan.

However, the Plan may require continued assistance from the FSM National Government to remain a going concern once the borders reopen and medical costs return to historic levels.

**MICARE HEALTH INSURANCE PLAN
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Notes to Financial Statements
September 30, 2021 and 2020

(7) Related Parties

During the years ended September 30, 2021 and 2020, the Congress of the FSM National Government (FSMNG) provided \$1,080,336 and \$1,145,935, respectively, to the Plan for the purpose of partially paying outstanding accounts payable of the Plan.

(8) Retirement Plan

The Plan has a retirement plan implemented effective June 1, 2012, administered by a private corporation. All permanent employees and contract employees with an employment contract of one or more years stated within the contract agreement with the Plan are eligible for the retirement plan. Employee contributions can be made at minimum of 3% up to 100% of earnings with a 100% match by the Plan up to 10% of employee compensation. The Plan Administrator is the designated retirement plan administrator. During the years ended September 30, 2021 and 2020, the Plan incurred an expense of \$9,044 and \$10,254, respectively, for matching contributions. As of September 30, 2021 and 2020, retirement plan assets were \$125,801 and \$114,228, respectively. Management is of the opinion that the retirement plan assets do not represent an asset of the Plan, as such, balances are not recorded in the accompanying financial statements.

(9) Subsequent Event

No subsequent event occurred after September 30, 2021, but before March 23, 2023, the date of financial statements was available to be issued, that require consideration as adjustments to, or disclosures, in the financial statements.

INDEPENDENT AUDITORS' 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

The Board of Directors
MiCare Health Insurance Plan:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of MiCare Health Insurance Plan (the Plan), which comprise the statement of net position as September 30, 2021, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2023.

Internal Control Over Financial Reporting

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

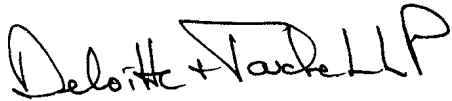
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

March 23, 2023

**MICARE HEALTH INSURANCE PLAN
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Summary Schedule of Prior Audit Findings
Year Ended September 30, 2021

<u>Finding Number</u>	<u>Costs</u>	<u>Status</u>
2018-001	\$323,000	Refer to Note 1.

Note 1: Management is still awaiting action from FSMNG DOJ.