

The Health Pool of South Dakota

Financial Statements (Reviewed)
June 30, 2016

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RSM US LLP

Independent Accountant's Review Report

To the Board of Trustees
The Health Pool of South Dakota
Fort Pierre, South Dakota

We have reviewed the accompanying basic financial statements of The Health Pool of South Dakota (the Pool), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Schedule of Claims Development Information on page 12, and a Management's Discussion and Analysis 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 considered it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Schedule of Claims Development Information is the representation of management and was subject to compilation procedures, however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information. Management has chosen not to present a Management's Discussion and Analysis for the Pool.

RSM US LLP

Sioux Falls, South Dakota
October 7, 2016

The Health Pool of South Dakota

Statements of Net Position

June 30, 2016 and 2015

See Independent Accountant's Review Report

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 374,816	\$ 711,851
Certificates of deposit (Note 2)	437,901	617,721
Debt and equity securities (Note 2)	-	49,155
Receivables:		
Member contributions	730	32
Reinsurance (Notes 3 and 4)	58,870	13,337
Investment income (Note 2)	13,167	13,003
Prepaid expenses	22,171	20,935
Total current assets	907,655	1,426,034
Long-term investments (Note 2):		
Certificates of deposit	1,037,562	1,003,040
Debt and equity securities	1,542,459	1,433,461
	\$ 3,487,676	\$ 3,862,535
Liabilities and Net Position		
Current liabilities:		
Estimated liability for reported and unreported claims and claims adjustment expenses (Notes 3 and 4)	\$ 300,000	\$ 300,000
Accounts payable	47,286	141,729
Accrued expenses	10,919	15,001
Total current liabilities	358,205	456,730
Net position (Note 8):		
Unrestricted	3,129,471	3,405,805
	\$ 3,487,676	\$ 3,862,535

See notes to financial statements.

The Health Pool of South Dakota

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015
See Independent Accountant's Review Report**

	2016	2015
Operating revenues:		
Member contributions earned (Note 7)	\$ 3,193,157	\$ 3,275,352
Less: Reinsurance premiums ceded (Note 4)	<u>372,633</u>	<u>340,868</u>
Net operating revenues	<u>2,820,524</u>	<u>2,934,484</u>
Operating expenses:		
Claims and claims adjustment expenses incurred (Notes 3, 4 and 5):		
Claims incurred	3,253,908	2,415,527
Claims adjustment expenses incurred	137,389	94,398
Reinsurance recoveries	<u>(357,394)</u>	<u>(76,567)</u>
Total claims and claims adjustment expenses incurred	<u>3,033,903</u>	<u>2,433,358</u>
General and administrative expenses:		
Ancillary services expense (Note 5)	40,900	38,810
Affordable care act fees	22,618	30,603
Service fee (Note 6)	20,910	20,300
Accounting fees	21,190	18,470
Sponsorship fee (Note 6)	11,424	11,092
Actuary fees	7,500	7,500
Board of Trustee fees and expenses	5,096	6,219
Bonds and insurance	3,424	3,368
Bookkeeping fees	3,335	3,293
Advertising	3,203	2,933
Legal fees	2,802	-
Travel expense	379	483
Other	700	300
Total general and administrative expenses	<u>143,481</u>	<u>143,371</u>
Operating income (loss)	<u>(356,860)</u>	<u>357,755</u>
Nonoperating income (loss) (Note 2):		
Net investment income	46,373	32,270
Net unrealized gains and losses on investments	<u>34,153</u>	<u>(5,219)</u>
Total nonoperating income	<u>80,526</u>	<u>27,051</u>
Change in net position	<u>(276,334)</u>	<u>384,806</u>
Net position:		
Beginning of year	<u>3,405,805</u>	<u>3,020,999</u>
End of year	<u><u>\$ 3,129,471</u></u>	<u><u>\$ 3,405,805</u></u>

See notes to financial statements.

The Health Pool of South Dakota

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

See Independent Accountant's Review Report

	2016	2015
Cash flows from operating activities:		
Contributions received	\$ 3,192,459	\$ 3,275,550
Reinsurance premiums paid	(372,633)	(340,868)
Underwriting and expenses of operations paid	(243,242)	(31,796)
Claims and claims adjustment expenses paid	(3,079,436)	(2,388,616)
Net cash provided by (used in) operating activities	(502,852)	514,270
Cash flows from investing activities:		
Debt and equity securities:		
Sales and maturities	206,769	154,843
Purchases	(237,000)	(795,903)
Certificates of deposit:		
Purchases	(474,702)	(565,140)
Maturities	620,000	300,000
Investment income received	50,750	27,697
Net cash provided by (used in) investing activities	165,817	(878,503)
Decrease in cash and cash equivalents	(337,035)	(364,233)
Cash and cash equivalents:		
Beginning	711,851	1,076,084
Ending	\$ 374,816	\$ 711,851
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (356,860)	\$ 357,755
Change in assets and liabilities:		
(Increase) decrease in receivables	(46,231)	19,940
Increase in prepaid expenses	(1,236)	(541)
Increase in estimated liability for reported and unreported claims and claims adjustment expenses	-	25,000
Increase (decrease) in accounts payable	(94,443)	106,964
Increase (decrease) in accrued expenses	(4,082)	5,152
Net cash provided by (used in) operating activities	\$ (502,852)	\$ 514,270
Supplemental disclosure of noncash investing and financing activities:		
Net increase (decrease) in the fair value of investments	\$ 34,153	\$ (5,219)

See notes to financial statements.

The Health Pool of South Dakota

Notes to Financial Statements

See Independent Accountant's Review Report

Note 1. Nature of Business and Significant Accounting Policies

Reporting entity: The Health Pool of South Dakota (Pool) provides health and other health related coverages for member organizations. There were 44 and 43 members of the Pool as of June 30, 2016 and 2015, respectively, all of which were cities, counties, townships and special districts of the State of South Dakota. The objective of the Pool is to provide and implement group health coverage and health maintenance cost containment programs and procedures to employees of South Dakota public agencies. The Pool is supervised by a Board of Trustees consisting of up to seven members.

The Pool operates as a single proprietary fund, more specifically as an enterprise fund. The Pool distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Pool's principal ongoing operations. Nonoperating revenues and expenses generally result from investment activities.

The Pool is exposed to various risks of loss related to torts and errors and omissions. The Pool has purchased commercial insurance to mitigate its risks.

The Pool's by-laws contain a provision stating that if a series of claims exhaust the Pool's net position, then the payment of those claims will be the sole and separate obligation of the individual member or members against whom the claim is made and perfected by litigation or settlement. Members agree to continue membership in the Pool for a period of not less than twelve months from a renewal date of July 1, and may withdraw from the Pool by giving written notice to the Pool no later than 60 days prior to July 1. All claims and claim expenses paid after the date of withdrawal become the sole responsibility of the withdrawing member without regard to whether the claims occurred or were reported prior to the member's withdrawal from the Pool. The Pool assumes no liability for payment of claims by virtue of servicing claims for members that terminate or withdraw from the Pool. At the request of the withdrawing member, the Pool will continue to service all claims which had been reported to the Pool during the withdrawing member's period of participation, so long as the withdrawing member promptly repays the Pool for all claims and claim expenses incurred.

In the event the Pool's unrestricted net position totals at least \$15,000,000, the Board of Trustees shall establish a Member Equity Account to be determined at the end of the Pool's related fiscal year. Any surplus monies (net position) or amounts in an individual Member Equity Account (if such account has been established) for a fiscal year in excess of the amount necessary to fulfill all obligations of the Pool for that year may be refunded by the Board of Trustees, at a time agreed to by the Board of Trustees. Any surplus monies may also be retained by the Pool for purposes of the Pool and such a determination shall be at the complete discretion of the Board of Trustees.

A withdrawing or terminated member shall have no right in or interest to any accrued or current excess contributions previously declared to be payable by the Board of Trustees or in any net position (equity) amounts or any amounts in the Member Equity Account (provided a Member Equity Account has been established), except that a withdrawing member shall have a right to receive the balance in its Member Equity Account (if such account has been established), if at the time of payment the Pool's net operating revenues are less than three times the unrestricted net position of the Pool and the unrestricted net position remains at a level greater than \$15,000,000 considering the proposed payment of the scheduled amount(s). Payments from the Member Equity Account upon withdrawal will be scheduled for payment in five equal annual installments. Any cumulative member equity amounts not deemed payable at the end of such five year period under the provisions above will be allocated to other current members of the Pool under a method determined by the Board of Trustees. No Member Equity Accounts have been established through June 30, 2016.

The Health Pool of South Dakota

Notes to Financial Statements

See Independent Accountant's Review Report

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Upon termination of the Pool and after payment of all claims and losses, all remaining funds held by the Pool shall be paid to all Members of the Pool at the time of the vote of termination, on a pro rata basis determined by the Board of Trustees. If upon termination of the Pool, the remaining assets of the Pool are insufficient to satisfy the indebtedness of the Pool (excluding claims or judgments against individual Members), such deficiency shall be made up by assessments against Members of the Pool by a fair and reasonable method established by the Board of Trustees.

A summary of the Pool's significant accounting policies follows:

Basis of presentation: The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Use of estimates: The preparation of financial statements 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. Material estimates that are particularly susceptible to significant change in the near-term relate to the estimated liability for reported and unreported claims and claims adjustment expenses, amounts recoverable from reinsurers under excess of loss agreements, and the determination of estimated fair values of investments.

Cash and cash equivalents: For purposes of reporting cash flows, the Pool considers money market funds to be cash equivalents. Certificates of deposit, with purchased maturities of ninety days or less, are considered cash equivalents.

Receivables: Receivables are recorded based on amounts due from members and other third party payers, and amounts estimated to be received or recovered from reinsurers and other third party payers. The Pool evaluates the collectability of such receivables monthly based on the third party payers' financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Investments: The Pool reports investments (other than certificates of deposit) at fair value in the statements of net position with changes in the fair value of investments reported as investment income. Certificates of deposits are stated at cost. Dividend and interest income are recognized when earned.

The calculation of realized gains and losses is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held for more than one year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Member contributions and unearned income: Members are billed monthly in advance for a deposit contribution. Income from such contributions is recorded as earned during the coverage period. Contributions received in advance for coverage in the following policy year are recorded as advance member contributions. Member contributions are reduced by reinsurance premiums ceded to the reinsurance companies.

Premium deficiency: A premium deficiency exists when the sum of expected claims costs (including an estimated liability for unreported claims), all expected claims adjustment expenses, and policy acquisition costs exceed related unearned premiums. The Pool anticipates investment income in determining if a premium deficiency exists.

The Health Pool of South Dakota

Notes to Financial Statements

See Independent Accountant's Review Report

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Reinsurance: In the normal course of business, the Pool and its members seek to reduce the loss that may arise from events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

Amounts recoverable from reinsurers under excess of loss coverages are estimated in a manner consistent with the development of the estimated liability for reported and unreported claims and claims adjustment expenses.

Income taxes: The Pool's income is excludable from income tax under section 115 of the Internal Revenue Code. A private letter ruling on the Pool's tax exempt status has not been requested.

Estimated liability for reported and unreported claims and claims adjustment expenses: The coverage offered by the Pool is on an occurrence basis which provides for payment of claims that occur during the period of coverage and which are submitted within 12 months of the date of occurrence. The estimated liability for reported and unreported claims and claims adjustment expenses is based upon data developed by the Pool's Administrator. The liability includes estimates of the costs to settle individual claims which have been reported, plus a provision for claims incurred but not yet reported. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Claims are reduced for subrogation when payment is received, as subrogation amounts are immaterial.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Pool believes the estimated liability for reported and unreported claims and claims adjustment expenses is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated. The Pool has not engaged an actuary to assist in the estimating process, which may result in abnormal volatility in such liabilities.

Note 2. Deposits and Investments

Custodial credit risk: The Pool's cash and cash equivalents are comprised of money market and deposit accounts. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. As of June 30, 2016 and 2015, deposits of \$217,210 and \$476,711, respectively, were exposed to custodial credit risk, as they were uninsured, and the collateral was held by the pledging bank not in the Pool's name. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (i.e. broker-dealer) to a transaction, the Pool will not be able to recover the value of its investments that are in the possession of another party. As of June 30, 2016 and 2015, investments of \$1,542,459 and \$1,482,616 were exposed to custodial credit risk as they were uninsured, not registered in the Pool's name, and are held by the counterparty's trust department but not in the Pool's name.

The Health Pool of South Dakota

Notes to Financial Statements

See Independent Accountant's Review Report

Note 2. Deposits and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Pool limits interest rate risk by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. Investment maturities are staggered in such a manner that all investments will not come due at the same time. The cash and cash equivalents and investment portfolio will be managed with a portfolio effective duration no longer than four years. The Pool's investment policy also requires that at least 10 percent of investable funds be held in a stable value investment to provide liquidity.

As of June 30, 2016, the Fund had the following fixed income securities and maturities:

Investment Type	Fair Value/ Carrying Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
U.S. government agencies	\$ 562,230	\$ -	\$ 99,339	\$ 348,189	\$ 114,702
U.S. treasury issues	694,838	-	520,632	174,206	-
Municipal bonds	50,198	-	50,198	-	-
Mutual funds	235,193	-	235,193	-	-
	<u>\$ 1,542,459</u>	<u>\$ -</u>	<u>\$ 905,362</u>	<u>\$ 522,395</u>	<u>\$ 114,702</u>

As of June 30, 2015, the Fund had the following fixed income securities and maturities:

Investment Type	Fair Value/ Carrying Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
U.S. government agencies	\$ 694,335	\$ 49,155	\$ 125,157	\$ 318,548	\$ 201,475
U.S. treasury issues	676,923	-	510,017	166,906	-
Municipal bonds	25,188	-	-	-	25,188
Mutual funds	86,170	-	86,170	-	-
	<u>\$ 1,482,616</u>	<u>\$ 49,155</u>	<u>\$ 721,344</u>	<u>\$ 485,454</u>	<u>\$ 226,663</u>

The net increase (decrease) in the fair value of investments during 2016 and 2015 was \$34,153 and \$(5,219), respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. Gross realized investment gains were \$2,329 and \$221 and gross realized investment losses were \$6,870 and \$7,459 for the years ended June 30, 2016 and 2015, respectively. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and current year.

The Health Pool of South Dakota

Notes to Financial Statements

See Independent Accountant's Review Report

Note 2. Deposits and Investments (Continued)

Credit risk: Suitable investments described in the Pool's investment policy include interest bearing checking accounts, savings accounts, United States Treasury bills, bonds and notes, United States Government Agencies, among other securities described in the Pool's investment policy. The Pool has no investment policy that would further limit its investment choices other than as described in its investment footnote disclosures. The Pool's investment policy states that corporate and municipal bonds rated A or better by Moody's Investment Service or an equivalent rating by another recognized service, and mutual and money market funds that invest in U.S. Treasury securities, are acceptable. The credit ratings for investments as of June 30, 2016 and 2015, are as follows:

Investment Type	2016 Fair Value	2015 Fair Value	Rating
U.S. government agencies	\$ 562,230	\$ 694,335	AAA
Municipal bonds	50,198	25,188	Aaa
Mutual funds	235,193	86,170	AAA

Concentration of credit risk: The Pool's investment policy states that no more than 50 percent of the investable funds shall be placed in any one financial institution. Bond obligations of any one corporate or municipal issuer may not account for more than 5 percent of the portfolio market value at time of purchase. The aggregate market value of all non-government-backed corporate and municipal bonds shall not exceed 25 percent of the portfolio market value at time of purchase.

Investments measured at fair value: The Pool implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, for the year ended June 30, 2016. In accordance with this Statement, the Pool categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs.

A summary of the Pool's investments by level is as follows for the years ended June 30, 2016 and 2015:

	2016			
	Total	Level 1	Level 2	Level 3
Debt securities:				
U.S. treasury issues	\$ 694,838	\$ 694,838	\$ -	\$ -
Municipal bonds	50,198	-	50,198	-
Mutual funds - bonds	235,193	235,193	-	-
U.S. government agencies	562,230	-	562,230	-
Total	\$ 1,542,459	\$ 930,031	\$ 612,428	\$ -
	2015			
	Total	Level 1	Level 2	Level 3
Debt securities:				
U.S. treasury issues	\$ 676,923	\$ 676,923	\$ -	\$ -
Municipal bonds	25,188	-	25,188	-
Mutual funds - bonds	86,170	86,170	-	-
U.S. government agencies	694,335	-	694,335	-
Total	\$ 1,482,616	\$ 763,093	\$ 719,523	\$ -

The Health Pool of South Dakota

Notes to Financial Statements See Independent Accountant's Review Report

Note 2. Deposits and Investments (Continued)

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued based on observable market based inputs for similar securities, including interest rates, maturity dates and credit risk.

In determining the appropriate levels, the Pool performs a detailed analysis of the assets that are subject to the fair value disclosures. For the years ended June 30, 2016 and 2015, valuation techniques used by the Pool were consistent with those used in prior years.

Note 3. Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses

The Pool establishes liabilities for both reported and unreported covered events, which includes estimates of both future payments of claims and related claims adjustment expenses. The following is a summary of the changes in those aggregate liabilities for the fiscal years ended June 30, 2016, 2015 and 2014.

	2016	2015	2014
Reported and unreported claims and claims adjustment expenses at beginning of year	<u>\$ 300,000</u>	<u>\$ 275,000</u>	<u>\$ 275,000</u>
Incurred claims and claims adjustment expenses:			
Provision for insured events of the current year	3,065,322	2,435,003	2,774,400
Provision for insured events of prior years	<u>(31,419)</u>	<u>(1,645)</u>	<u>(167,557)</u>
Total incurred claims and claims adjustment expenses	<u>3,033,903</u>	<u>2,433,358</u>	<u>2,606,843</u>
Payments:			
Claims and claims adjustment expenses attributable to insured events of the current year	2,824,192	2,148,340	2,532,479
Claims and claims adjustment expenses attributable to insured events of prior years	<u>255,244</u>	<u>240,276</u>	<u>53,280</u>
Total payments	<u>3,079,436</u>	<u>2,388,616</u>	<u>2,585,759</u>
Less reinsurance recoverables at beginning of year	(13,337)	(33,079)	(54,163)
Plus reinsurance recoverables at end of year	<u>58,870</u>	<u>13,337</u>	<u>33,079</u>
Total reported and unreported claims and claims adjustment expenses at end of year	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 275,000</u>

The 2016, 2015 and 2014 decreases in the prior year provision of incurred claims and claims adjustment expenses resulted from changes in loss development experience as more information became known and payments made.

The Health Pool of South Dakota

Notes to Financial Statements

See Independent Accountant's Review Report

Note 4. Reinsurance

The Pool and its members utilize reinsurance agreements to limit maximum loss and minimize exposures on larger risks. Under the reinsurance agreements in effect during fiscal years 2016 and 2015, the Pool was reimbursed under an individual stop loss policy.

Under each of the fiscal year's 2016 and 2015 stop loss policies, a covered member is subject to an \$80,000 deductible.

The Pool and its members would be liable for any obligations that the reinsurance companies are unable to meet under the reinsurance agreements. During fiscal years 2016 and 2015, claims expenses incurred are net of \$357,394 and \$76,567, respectively, of recoveries from the reinsurance company under contract.

Note 5. Service Agreements

The Pool has an agreement with Wellmark, Inc. to provide claims and program administration for the Pool. The agreement with Wellmark, Inc. expired June 30, 2016, and automatically renews for a one year term unless terminated by either party within thirty days written notice. The contracted compensation rate was \$34.40 and \$23.92 per covered employee per month for claims administration during fiscal years 2016 and 2015, respectively. Fees incurred under these agreements for the fiscal years ended June 30, 2016 and 2015, were \$133,252 and \$90,274, respectively.

Wellmark, Inc. has contracted with various companies to provide ancillary services such as utilization review and access to preferred provider discounts. The Pool collects premiums from the respective members and pays for third party service fees (included in ancillary services expense in the accompanying statements of revenues and expenses).

Note 6. Related Party Transactions

The South Dakota Municipal League (SDML) is the sponsoring organization of the Pool. The Pool incurred expenses to SDML of \$11,424 and \$11,092 during 2016 and 2015, respectively, as a sponsorship fee and \$20,910 and \$20,300 during 2016 and 2015, respectively, as a service fee. No amounts were due to or from SDML at June 30, 2016 and 2015.

Note 7. Major Members

The Pool had two major members in both 2016 and 2015. A major member is one which provides 10 percent or more of an entity's revenue in any year. Net member contributions earned from the major members were approximately \$746,000 and \$362,000 for the fiscal year ended 2016 and \$806,000 and \$355,000 for the fiscal year ended 2015, respectively. No amounts were due from the major members at June 30, 2016 or 2015.

Note 8. Contingencies

The Pool is a party to various legal actions and is subject to various claims arising in the ordinary course of business. Management believes that the disposition of these matters will not have a material adverse effect on the Pool's financial position or results of operations.

The Health Pool of South Dakota

Required Supplementary Information - Schedule of Claims Development Information

For the Ten Years Ended June 30, 2016

See Independent Accountant's Review Report

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net earned member contributions and investment income:										
Earned	\$ 2,581,806	\$ 2,508,677	\$ 2,144,417	\$ 2,192,775	\$ 2,157,607	\$ 2,240,526	\$ 2,557,551	\$ 3,040,771	\$ 3,302,403	\$ 3,239,530
Ceded	195,946	154,669	135,484	146,607	193,669	234,637	287,368	338,512	340,868	372,633
Net earned	2,385,860	2,354,008	2,008,933	2,046,168	1,963,938	2,005,889	2,270,183	2,702,259	2,961,535	2,866,897
Unallocated expenses	105,659	98,861	91,420	92,989	102,359	73,363	95,948	113,970	143,371	143,481
Estimated claims and expenses, end of policy year:										
Incurred	2,456,821	1,612,546	1,355,971	2,140,341	2,269,287	1,980,547	2,514,196	2,926,280	2,511,570	3,422,716
Ceded	134,276	-	-	523,255	371,637	108,550	70,130	151,880	76,567	357,394
Net incurred	2,322,545	1,612,546	1,355,971	1,617,086	1,897,650	1,871,997	2,444,066	2,774,400	2,435,003	3,065,322
Net paid (cumulative) as of:										
End of policy year	2,052,842	1,412,546	1,205,971	1,366,201	1,641,368	1,602,581	2,223,229	2,532,479	2,148,340	2,824,192
One year later	2,212,512	1,490,930	1,331,773	1,488,197	1,724,648	1,807,565	2,276,509	2,772,835	2,403,584	
Two years later	2,212,512	1,490,930	1,331,773	1,488,197	1,724,648	1,807,565	2,276,509	2,772,835		
Three years later	2,212,512	1,490,930	1,331,773	1,488,197	1,724,648	1,807,565	2,276,509			
Four years later	2,212,512	1,490,930	1,331,773	1,488,197	1,724,648	1,807,565				
Five years later	2,212,512	1,490,930	1,331,773	1,488,197	1,724,648					
Six years later	2,212,512	1,490,930	1,331,773	1,488,197						
Seven years later	2,212,512	1,490,930	1,331,773							
Eight years later	2,212,512	1,490,930								
Nine years later	2,212,512									
Reestimated ceded claims and expenses	134,276	-	-	523,255	371,637	108,550	70,130	151,880	76,567	357,394
Reestimated net incurred claims and expenses:										
End of policy year	2,322,545	1,612,546	1,335,971	1,617,086	1,897,650	1,871,997	2,444,066	2,774,400	2,435,003	3,065,322
One year later	2,212,512	1,490,930	1,311,773	1,488,197	1,724,648	1,807,565	2,276,509	2,772,755	2,403,584	
Two years later	2,212,512	1,490,930	1,311,773	1,488,197	1,724,648	1,807,565	2,276,509	2,772,755		
Three years later	2,212,512	1,490,930	1,311,773	1,488,197	1,724,648	1,807,565	2,276,509			
Four years later	2,212,512	1,490,930	1,311,773	1,488,197	1,724,648	1,807,565				
Five years later	2,212,512	1,490,930	1,311,773	1,488,197	1,724,648					
Six years later	2,212,512	1,490,930	1,311,773	1,488,197						
Seven years later	2,212,512	1,490,930	1,311,773							
Eight years later	2,212,512	1,490,930								
Nine years later	2,212,512									
Increase (decrease) in estimated net incurred claims and expenses from end of policy year	(110,033)	(121,616)	(24,198)	(128,889)	(173,002)	(64,432)	(167,557)	(1,645)	(31,419)	-