

1300.84 Financial Statements

(a)

Whenever pursuant to these rules or pursuant to an order or request of the Director pursuant to the Act a financial statement or other report is required to be audited or be accompanied by the opinion of a certified public accountant or public accountant, such accountant shall be independent of the licensee, determined in accordance with section 602.02 of Financial Reporting Release Number 1 issued by the Securities and Exchange Commission.

(b)

The financial statements required under subsections (a), (b) and (c) of Section 1384 of the Act shall be audited by an independent accountant in accordance with section 1300.45(e).

(c)

Except as provided in subsection (d), financial statements of a plan required pursuant to these rules must be on a combining basis with an affiliate, if the plan or such affiliate is substantially dependent upon the other for the provision of health care, management or other services. An affiliate will normally be required to be combined, regardless of its form of organization, if the following conditions exist: (1) The affiliate controls, is controlled by, or is under common control with, the plan, either directly or indirectly (see subsections (c) and (d) of section 1300.45), and (2) The plan or the affiliate is substantially dependent, either

directly or indirectly, upon the other for services or revenue.

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(2)

The plan or the affiliate is substantially dependent, either directly or indirectly, upon the other for services or revenue.

(d)

Upon written request of a plan, the Director may waive the requirement that an affiliate be combined in financial statements required pursuant to these rules. Normally, a waiver will be granted only when (1) the affiliate is not directly engaged in the delivery of health care services or (2) the affiliate is operating under an authority granted by a governmental agency pursuant to which the affiliate is required to submit periodic financial reports in a form prescribed by such governmental agency that cannot practicably be reformatted into the form prescribed by these rules (such as an insurance company).

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(e)

When combined financial statements are required by this section, the independent accountant's report or opinion must cover all the entities included in

the combined financial statements. If the accountant's report or opinion makes reference to the fact that a part of the examination was performed by another auditor, the plan shall also file the individual financial statements and report or opinion issued by the other auditor.

(f)

Plans which have subsidiaries that are required to be consolidated under generally accepted accounting principles must present either (1) consolidating financial statements, or (2) consolidating schedules for the balance sheet and statement of operations, which in either case must show the plan separate from the other entities included in the consolidated balances.

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(g)

This section shall not apply to a plan which is a public entity or political subdivision.

(h)

All filings of financial statements required pursuant to these rules must include an original and one copy.