Financial Statements
June 30, 2016 and 2015

Teachers Health Trust

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Teachers Health Trust
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the Teachers Health Trust (the "Trust"), which comprise the statements of net assets available for plan benefits and of benefit obligations as of June 30, 2016 and 2015, and the related statements of changes in net assets available for plan benefits and of changes in benefit obligations for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Trust 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of 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 Trust'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 Trust'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 status of the Teachers Health Trust as of June 30, 2016 and 2015, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 2 to the financial statements, as of June 30, 2016 and 2015 and for the years then ended, management of the Trust has elected to early adopt the guidance contained in Accounting Standards Update 2015-12 "Plan Accounting (Topics 960, 962, and 965) – (Part II): Plan Investment Disclosures" to simplify the investment disclosure requirements. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, as of June 30, 2016 and 2015 and for the years then ended, management of the Trust has elected to early adopt the guidance contained in Accounting Standards Update 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy. Our opinion is not modified with respect to this matter.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of administrative expenses and the supplemental schedule of insurance premiums, together referred to as "supplemental information," for the years ended June 30, 2016 and 2015, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Trust's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Reno, Nevada
January 20, 2017

	2016	2015
Assets		
Investments	$ 39,905,927	$ 62,404,793
Receivables		
Related party receivable	14,270	17,866
Prescription drug rebate receivable	1,631,641	2,133,292
Rental income	37,500	-
Total receivables	1,683,411	2,151,158
Cash and cash equivalents	33,404,214	550,222
Property and equipment (net of accumulated depreciation of $6,014,354 and $5,616,337, respectively)	5,591,022	5,802,435
Other assets	22,945	12,338
Prepaid expenses	1,287,553	271,196
Total assets	81,895,072	71,192,142
Liabilities		
Accounts payable for administrative expenses	496,242	924,202
Cash overdraft	-	589,682
Due to related party	25,000	25,000
Deferred insurance contribution	231,497	209,554
Line of credit	-	3,001,725
Capital lease payable	91,600	148,207
Total liabilities	844,339	4,898,370
Net Assets Available for Plan Benefits	$ 81,050,733	$ 66,293,772

	2016	2015
Additions		
Contributions		
Clark County School District/Charter schools	$ 123,936,265	$ 117,808,041
Employee deduction	29,434,188	29,076,629
Retiree participants	2,144,572	1,261,724
Self-pay, cobra, staff participants	1,677,482	2,003,511
Total contributions	157,192,507	150,149,905
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	(2,031,304)	(1,280,671)
Interest and dividends	1,798,852	1,512,086
Total investment income (loss)	(232,452)	231,415
Less investment manager fees	131,266	135,172
Net investment income (loss)	(363,718)	96,243
Other income	4,468,579	4,880,946
Total additions	161,297,368	155,127,094
Deductions		
Insurance premiums	2,186,465	2,299,823
Benefits paid for participants		
Medical	84,182,860	101,133,415
Prescription drugs	32,000,758	36,925,725
Dental	12,485,005	13,306,159
Vision	2,133,138	2,440,020
Total benefits paid for participants	130,801,761	153,805,319
Administrative expenses	13,552,181	8,820,418
Total deductions	146,540,407	164,925,560
Net Increase (Decrease)	14,756,961	(9,798,466)
Net Assets - Retiree Health Trust	-	48,234,698
Net Assets Available for Benefits		
Beginning of Year	66,293,772	27,857,540
End of Year	$ 81,050,733	$ 66,293,772

	2016	2015
Amounts Currently Payable to or for Participants, Beneficiaries, and Dependents		
Vision claims	$ 202,545	$ 287,705
Medical and dental claims	1,517,160	8,123,555
Prescription drugs	1,363,370	1,681,461
Total currently payable	3,083,075	10,092,721
Other Current Benefit Coverage Obligations		
Claims incurred but not reported, at present value of estimated amounts	22,712,840	6,776,445
Postretirement Benefit Obligations		
Plan participants not yet fully eligible for benefits	20,455,000	58,942,000
Other plan participants fully eligible for benefits	69,399,000	16,131,000
Retirees	10,142,000	7,332,000
Administrative fixed cost (unallocated)	-	3,156,000
Total postretirement benefit obligations	99,996,000	85,561,000
Total Benefit Obligations	$ 125,791,915	$ 102,430,166

	2016	2015
Amounts Currently Payable to or for Participants, Beneficiaries, and Dependents		
Balance, beginning of year	$ 10,092,721	$ 7,996,055
Claims reported and approved for payment	125,978,580	158,201,808
Claims paid	(132,988,226)	(156,105,142)
Balance, end of year	3,083,075	10,092,721
Other Obligations for Current Benefit Coverage, at Estimated Amounts		
Balance, beginning of year	6,776,445	5,818,747
Net change during year	15,936,395	957,698
Balance, end of year	22,712,840	6,776,445
Postretirement Benefit Obligations		
Balance, beginning of year	85,561,000	-
Increase (decrease) during year attributed to:		
Merger of Retiree Health Trust obligation	-	114,336,000
Normal cost	5,927,000	8,124,000
Interest	4,280,000	5,583,000
Administrative expenses	(276,000)	(389,000)
Benefits paid	(585,000)	(1,775,000)
Plan design changes	-	(11,654,000)
Actuarial (gains)/losses	5,089,000	(28,664,000)
Balance, end of year	99,996,000	85,561,000
Total Benefit Obligations, at End of Year	$ 125,791,915	$ 102,430,166

Note 1 - Description of the Trust

The following description of the Teachers Health Trust (the "Trust") provides only general information. Trust participants should refer to the Trust Agreement and Plan Document for a more complete description of the Trust provisions.

General

On October 1, 1983, as a result of contract negotiations between the Clark County Education Association (CCEA), operating at that time as the Clark County Classroom Teachers Association (CCCTA), and the Clark County School District (CCSD), the Trust was created under NRS 287.010. The responsibilities of administration and management of health and welfare benefits shifted from the CCSD, as an employer, to the CCEA as bargaining agents of education employees. The Trust was established by the CCEA to provide and administer health benefits for its participants.

The CCEA entered into a Collective Bargaining Agreement (CBA) with the CCSD providing for the creation of a retiree health and welfare plan for the employees covered by the CBA. The Retiree Health Trust (RHT) was established to provide and administer health benefits to the retired employees and their dependents. Effective November 1, 2014 the RHT merged into the Trust, such that the health and welfare benefits of both active and retired participants and their beneficiaries are provided for and administered by the Trust.

These financial statements include the balances, transactions and benefit obligations of the health and welfare plans that are provided to eligible active and retiree participants of the collective bargaining agreements between the CCEA and CCSD.

The Trust has elected to follow, but is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Eligibility

Active employees – All licensed employees of CCSD paid on the teachers' salary schedule and eligible for representation by the CCEA, and other groups identified by the Teachers Health Trust Board of Trustees, are eligible for coverage. Participants become eligible for coverage on the first day of the month following their hire date.

Retirees – All employees who retire from active employment with CCSD on or after January 1, 2009, and have attained the age of 52 with five years of service as a licensed employee are eligible to participate in the retiree portion of the plan. Employees must be eligible for Public Employees' Retirement System (PERS) pension benefits and have been enrolled as an active participant in the Trust for a minimum of five consecutive years immediately prior to retirement from CCSD. Participants become eligible for coverage on the first day of the month following their retirement date and resulting termination of their active plan coverage.

Retirees that have a date of retirement prior to January 1, 2009 are also eligible; however their benefits are provided through insurance contracts that have been negotiated by the Trust.

Benefits

The Trust provides medical, prescription drug, dental, vision, wellness, and life insurance to eligible participants and their covered dependents. Life insurance is covered by an insurance contract for all participants. Coverage for all other benefits is dependent on type of participant as follows:

- Active employee participants and pre-medicare eligible retiree participants who retired on or after January 1, 2009: Benefits are self-insured by the Trust.
- Pre-medicare eligible retiree participants who retired before January 1, 2009: Benefits are through insurance contracts negotiated by the Trust.
- Medicare eligible retiree participants: Benefits are offered through an insured medicare supplemental plan.

The Trust utilizes a Pharmacy Benefits Manager (PBM) which periodically makes refunds to the Trust based on the Trust's actual utilization pattern of specific drugs.

The Trust also provides continuation of certain benefits upon termination of employment through the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Contributions

Clark County School District – The collective bargaining agreement with the CCSD provides for monthly contributions by the CCSD to the Trust. The contribution rates are determined through collective bargaining between the CCEA and the CCSD. Pursuant to the current collective bargaining agreement, the CCSD contribution for each participating licensed employee was $538.87 per month effective July 1, 2008. However, CCSD agreed to an increase of $45 to $583.87 per active licensed employee per month to the Trust for one year beginning January 1, 2016. The collective bargaining agreement remains effective until a new rate is negotiated.

Active Licensed Employees – In addition to deductibles, copayments and coinsurance, active employee participants may be required to contribute to premium costs for the health care (medical, dental and vision). Employee contributions, if any, vary among the Trust options available and the employee elections for various benefits as well as coverage for their eligible dependents. Under the life insurance plan, the premiums are established by the insurer. The Trust pays the full premium cost of basic life insurance.

Retirees – In addition to deductibles, copayments, and coinsurance, retirees share in the costs of the Trust through required monthly contributions that are based on the retirees' years of service and unused sick leave at retirement and their date of retirement. Pre-medicare eligible retirees that were hired as active employees on or after September 1, 2014 are required to contribute 100% of the $1,169 premium. Pre-medicare eligible retirees that were hired as active employees prior to September 1, 2014 and have a date of retirement on or after January 1, 2009 are required to contribute a percentage of the $1,169 monthly premium as follows:

	Unused Sick Leave				
Years of Service	Less than 150 days	150-199 days	200-249 days	250-299 days	300 days or more
Less than 10 years	100%	100%	100%	100%	100%
10-19 years	70%	69%	68%	67%	66%
20-25 years	55%	54%	53%	52%	51%
26-29 years	45%	44%	43%	42%	41%
30 years and over	32%	31%	30%	29%	28%

Absent the availability of a premium subsidy, the Trust would have received a total of approximately $4,650,000 for the year ended June 30, 2016 and $2,750,000 for the eight months ended June 30, 2015, from retiree participants. As a result of the subsidy schedule above, the Trust received $2,144,572 and $1,261,724 from retiree participants for the year ended June 30, 2016 and eight months ended June 30, 2015.

Pre-medicare eligible retirees that have a date of retirement prior to January 1, 2009 are required to contribute the entire premium which approximated $1,700 and $1,500 per month during the years ended June 30, 2016 and 2015, respectively.

Medicare eligible retirees are offered a supplemental benefit with a required monthly contribution of the entire premium, which ranged from $335 – $650 per month for the year ended June 30, 2016 and $265 – $640 per month for the eight months ended June 30, 2015.

All retirees are responsible for 100% of the monthly premium for their dependents.

Priorities Upon Termination

Except as may be otherwise provided by law, in the event of termination of the Trust, the Trust agreement provides that any monies remaining in the Trust will be used for the continuance of the purpose for which the Trust was established and for the administrative expense of the Trust, until such monies are exhausted.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue is recognized when earned, and administrative expenses are recognized when incurred. Insurance premiums and benefits paid for participants are recorded when paid.

Recent Accounting Guidance

The Trust has early adopted the provisions of Accounting Standards Update (ASU) 2015-12 (Part II), "Plan Accounting (Topics 960, 962 and 965): Plan Investment Disclosures”. This ASU eliminates the disclosure of individual investments that represent 5 percent or more of net assets available for benefits, eliminates the net appreciation or depreciation for investments by general type, and requires that investments be grouped only by general type, eliminating the need to disaggregate the investments by nature, characteristics, and risks. The Trust has adopted this standard as Trust management believes this presentation is more relevant to the users of the financial statements. Accordingly, the accounting change has been retrospectively applied to the prior period presented, as required.

Trust management has also elected to early adopt the guidance contained in Accounting Standards Update (ASU) 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy.

Use of 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, liabilities, benefit obligations and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant estimates used by the Trust include amounts reflected for claims incurred but not reported and the postretirement benefit obligation and the related changes therein. Actual results could differ from these estimates.

Cash Equivalents

The Trust considers all highly liquid investments with an original maturity of three months or less at date of purchase to be cash equivalents.

Investment Valuation and Income Recognition

The Trust's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes the Trust's gains and losses on investments bought and sold, as well as held during the year. The Trust has contracted with an investment manager and investment custodian to manage the Trust's investment assets. The Board of Trustees determines the Trust's valuation policies and procedures utilizing information provided by the investment manager and investment custodian.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation is eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from five to forty years.

Estimated Claims Incurred but Not Reported

Trust obligations at June 30, 2016 and 2015 for health claims incurred by participants but not reported at that date are estimated by the Trust's management based on a method that the progression of claim payment follows runoff patterns that are assumed to remain stable over time, adjusted for other factors that could impact the reserve adequacy. These amounts are paid by the Trust only if claims are submitted and approved for payment.

Postretirement Benefit Obligation

The amount reported as the postretirement benefit obligation represents the actuarial present value of those estimated future benefits that are attributable by the terms of the Trust to employees' service rendered to the date of the financial statements, reduced by the actuarial present value of contributions expected to be received in the future from current plan participants. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service with CCSD. The postretirement obligation represents the amount that is to be funded by contributions from CCSD, active employees of CCSD and from existing Trust assets. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributable to the employee's service rendered to the valuation date.

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to the historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For the June 30, 2016 valuation, the annual rate of increase in the per capita costs of covered medical benefits was assumed as 7.15% in 2016 decreasing to an ultimate rate of 5.09% per annum by 2099. For the June 30, 2015 valuation, the annual rate of increase in the per capita costs of covered medical benefits was assumed as 7.00% in 2015 decreasing to an ultimate rate of 5.17% per annum by 2099. The weighted average health care cost trend rate assumption has a significant effect on the amounts reported as postretirement benefit obligations. If the assumed rates increased by one percentage point in each year, it would increase the obligation as of June 30, 2016 by approximately 13-18% and as of June 30, 2015 by approximately 14-17%.

The following were other significant assumptions used in the June 30, 2016 and June 30, 2015 valuations:

	June 30, 2016	June 30, 2015
Discount Rate	3.90% compounded annually	4.70% compounded annually
Participation Rate	30% for future retirees	30% for future retirees
Mortality	RP-2016 combined annuitant/ non-annuitant mortality table with MP-2016 mortality projection scale	RP-2014 combined annuitant/ non-annuitant mortality table with MP-2014 mortality projection scale
Actuarial Cost Method	Projected unit credit	Projected unit credit
Retiree Contributions	Same level as current Trust provisions for the next year and increased thereafter based on health care trend rates	Same level as current Trust provisions for the next year and increased thereafter based on health care trend rates
Administrative Expenses	$809.28 per capita per year	$499 per capita per year plus a fixed administrative expense of $260,000 per year

The foregoing assumptions are based on the presumption that the Trust's provisions will continue as a going concern. Were the Trust provisions to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of the postretirement benefit obligation.

Other Income

Other income consists primarily of prescription drug rebates from the Trust's PBM. Such other income is recorded when earned.

Administrative Expenses

Administrative expenses incurred in the administration of the Trust include salaries and benefits, claims processing expenses, third party administration fees, accounting and legal fees, and other administration fees. These expenses are recorded as deductions in the accompanying statements of changes in net assets available for plan benefits.

Subsequent Events

Management has evaluated subsequent events through January 20, 2017, which is the date these financial statements were available to be issued.

Note 3 - Investments

The Trust retains an investment consultant and manager to manage the Trust's investments according to the investment policies established by the Trust's Board of Trustees. Investments consisted of the following at June 30, 2016 and 2015:

	2016	2015
Investments, at fair value		
Mutual funds - equity	$ 20,068,239	$ 30,344,634
Mutual funds - bond	5,688,185	21,981,506
Money market mutual funds	561,718	784,998
Exchange traded note	1,371,806	757,271
Limited partnership and limited liability company	6,699,479	-
	34,389,427	53,868,409
Investments, other		
Nonnegotiable certificates of deposit (at cost plus accrued interest)	5,516,500	8,536,384
	$ 39,905,927	$ 62,404,793

Note 4 - Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

<u>Mutual funds and exchanged traded note</u> – Valued at fair value based on the quoted net asset value (NAV) of shares held by the Trust at year end.

<u>Money market mutual funds</u> – Valued at the quoted NAV of shares held by the Trust at year end.

<u>Limited partnership and limited liability company</u> – Valued at NAV per share, or its equivalent, such as member unit or an ownership interest in partners’ capital.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30, 2016 and 2015.

June 30, 2016	Level 1	Level 2	Level 3	Total
Mutual funds	$ 25,756,424	$ -	$ -	$ 25,756,424
Money market mutual fund	-	561,718	-	561,718
Exchange traded note	1,371,806	-	-	1,371,806
	$ 27,128,230	$ 561,718	$ -	27,689,948
Limited partnership - domestic (at NAV) [(a)]				4,999,479
Limited liability company - domestic (at NAV) [(a)]				1,700,000
				$ 34,389,427

June 30, 2015	Level 1	Level 2	Level 3	Total
Mutual funds	$ 52,326,140	$ -	$ -	$ 52,326,140
Money market mutual fund	-	784,998	-	784,998
Exchange traded note	757,271	-	-	757,271
	$ 53,083,411	$ 784,998	$ -	$ 53,868,409

[(a)] In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented as investments at fair value in Note 3 to these financial statements.

The following table sets forth the disclosure for the fair value measurement of investments in certain entities that calculate NAV per share practical expedient as of at June 30, 2016 and 2015:

	Fair Value June 30, 2016	Fair Value June 30, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership - domestic [(a)]	$ 4,999,479	$ -	$ -		
Limited liability company - domestic [(b)]	$ 1,700,000	$ -	$ -	Annually	None

[(a)] This investment is a limited partnership that primarily invests in private debt. Private Debt refers to investments in privately negotiated debt. Loans are primarily senior secured in the capital structure, or are backed directly by assets or real property. Redemptions of the investment are not permitted. The investment has a planned liquidation period over the next eight years with periodic distributions during the liquidation period. The Trust has no unfunded commitments and fair value of the investment has been estimated using the net asset value of the Trust's ownership interest in partners' capital, which is valued by a third party on a monthly basis.

[(b)] This investment primarily invests in U.S. agricultural land leased to the farming industry. The Trust has no unfunded commitments and fair value of the investment has been estimated using the net asset value per unit of the Trust's member interest in the investment, which is valued by a third party on a quarterly basis. Redemptions by the Trust are limited to once annually as of September 30th each year, with actual distributions occurring on or before February of the following year.

Transfers Between Levels

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Plan management evaluated the transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended June 30, 2016, there were no transfers in or out of levels 1, 2, or 3.

Note 5 - Concentration of Credit Risk

The Trust's cash accounts and certificates of deposit balances are periodically in excess of federally insured limits. At June 30, 2016 and 2015, the Trust's uninsured balances totaled $39.4 million and $11.3 million, respectively. Trust management periodically evaluates the financial soundness of the financial institutions that hold the cash and certificates of deposit and believes such uninsured balances do not pose a significant financial risk to the Trust.

Note 6 - Property and Equipment

Property and equipment are summarized as follows at June 30, 2016 and 2015:

	2016	2015
Building - 2950 E Rochelle Avenue	$ 5,967,452	$ 5,967,452
Computer hardware and software	3,595,925	3,409,323
Office furniture and equipment	761,539	761,539
Land - 2950 E Rochelle Avenue	640,000	640,000
Capital lease equipment	281,784	281,784
Telephone equipment	259,206	259,206
Building improvements	99,470	99,470
	11,605,376	11,418,774
Less accumulated depreciation	(6,014,354)	(5,616,337)
Total property, plant, and equipment, net	$ 5,591,022	$ 5,802,437

Depreciation expense for the years ended June 30, 2016 and 2015 totaled $398,016 and $397,461, respectively.

Note 7 - Line of Credit

The Trust has entered into a revolving line of credit with Bank of Nevada that provides for available borrowings of $5,000,000. The agreement requires collateral at an amount of $5,500,000, which is held in a certificate of deposit with Bank of Nevada. Amounts outstanding on the line totaled $- and $3,001,725 as of June 30, 2016 and 2015, respectively. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness. The agreement matured on September 25, 2015 and was extended with no modification to terms through September 24, 2016 and was not subsequently renewed.

Note 8 - Leases

Lessee

The Trust leases equipment under two long-term capital lease agreements. The leases expire at various dates through 2019. Future minimum lease payments are as follows:

Year ending June 30,	
2017	$ 56,618
2018	34,982
2019	-
	91,600
Less current maturities	(56,618)
	$ 34,982

At June 30, 2016 and 2015, $281,784 of such equipment is included in capital lease equipment, net of accumulated depreciation of $180,125 and $123,768 at June 30, 2016 and 2015, respectively.

Lessor

Effective January 1, 2016, the Trust entered into the lease of a significant portion of its building and land at 2950 E. Rochelle Avenue to its third party administrator under a long term agreement with an initial term expiring June 30, 2018, and optional annual renewals thereafter. Minimum future rentals during this initial non-cancelable lease term are as follows:

Year ending June 30,	
2017	$ 75,000
2018	75,000
	$ 150,000

The cost of the entire building, land and related improvements totaled $6,706,922 at June 30, 2016. Accumulated depreciation on these assets totaled $1,511,285 at June 30, 2016.

Note 9 - Reserve for Estimate Retiree Liability

In accordance with the merger agreement between the Retiree Health Trust and the Trust in November 2014, assets valued at 115% of the Estimated Retiree Liability (ERL) are to be considered reserved and are required to be placed in accounts segregated from the remainder of the Trust's assets (Retiree Health Account). The ERL is based on the present value of all future payments expected to be made for continuing the premium subsidies for present and future retirees, as determined by an actuary. The ERL is to be recalculated at least annually and at the time of recalculation, should amounts in the Retiree Health Account exceed 120% of the ERL, the excess shall be transferred to the Trust's general account and if the ERL is less than 110% of the ERL, the amount of the deficiency shall be transferred from the Trust's general account to the Retiree Health Account. The ERL as of November 1, 2014, effective date of the merger was $33 million, resulting in a total of $38 million deposited into the Retiree Health Account and considered reserved as of the merger date. The ERL was calculated as of July 1, 2015 was $33.9 million.

The funds in the Retiree Health Account are withdrawn and transferred bi-annually to the Trust's general account to cover the retiree premium subsidies. A total of $2,514,532 and $1,496,404 was transferred from the Retiree Health Account to the Trust's general account representing the retiree premium subsidies for the year ended June 30, 2016 and the eight months ended June 30, 2015, respectively.

The balance of the Retiree Health Account, and considered reserved at June 30, 2016 and June 30, 2015 was $34,985,710 and $37,445,516, respectively, comprised of the following assets on the Trust's statement of net assets available for plan benefits:

	2016	2015
Cash and cash equivalents	$ 502,660	$ 529,485
Investments	34,483,050	36,916,031
	$ 34,985,710	$ 37,445,516

Note 10 - Tax Status

The Trust is exempt from federal income tax under Section 501(c)(9) of the Internal Revenue Code ("IRC"). The Trust obtained its tax exempt status letter March 21, 1991 from the Internal Revenue Service (IRS). The Trust is required to operate in conformity with the IRC to maintain tax exempt status of the trust and qualified status of the plans. Management of the Trust believes it continues to qualify and to operate in accordance with applicable provisions of the IRC. Accordingly, the Trust's net investment income is exempt from income taxes.

Accounting principles generally accepted in the United States of America require Trust management to evaluate tax positions taken by the Trust and recognize a tax liability (or asset) if the Trust has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Trust is subject to routine audits by the IRS; however, there are currently no income tax audits for any tax periods in progress.

Note 11 - Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for plan benefits.

The actuarial present value of the Trust's postretirement benefit obligation is reported based on certain assumptions pertaining to interest rates, health care inflation rates and employee demographics, all of which are subject to changes. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act (Act). The Act includes a large number of health-related provisions to take effect over the next several years. The Trust has been amended, in accordance with the provisions of the Act for those provisions of the Act that are currently applicable.

The majority of the Trust's participants are CCSD licensed employees. The Trust receives contributions from CCSD pursuant to the collective bargaining agreement determined between the CCEA and CCSD. While the 2015-2016 collective bargaining agreement between the CCEA and CCSD was finalized in October 2015, negotiations continue between the entities regarding outcome of future agreements.

Note 12 - Other Employee Benefit Plans

Effective January 1, 2001, the Trust established a Money Purchase Pension Plan (MPPP) for its eligible employees. The Trust makes a contribution of 18.4 percent of all eligible employees' compensation. Employer contributions for the year ended June 30, 2016 and 2015 were $435,747 and $522,704, respectively.

Effective January 1, 2007, the Trust established a Roth 401(k) plan for its employees. No contributions to the plan were made or required to be made by the Trust for the year ended June 30, 2016 and 2015.

Effective January 1, 2017, the Trust merged the MPPP into the Roth 401(k) Plan with the Roth 401(k) Plan as the surviving plan for participation by the Trust's eligible employees.

Supplementary Information

Teachers Health Trust

	2016	2015
Staff salaries and benefits		
Claims administration	$ 695,975	$ 1,084,528
Accounting and administrative	941,206	1,078,670
Participant services	663,529	903,645
Support services	432,696	589,250
Provider services	334,689	352,465
Information technology	216,140	312,024
Clinical initiatives	166,366	270,464
Document imaging	132,629	191,559
Wellness and health programs	111,239	148,606
	3,694,469	4,931,211
TPA management fees	6,160,212	-
ACA transitional reinsurance and PCORI fees	1,390,095	1,925,791
Depreciation expense	398,016	397,461
Claims processing expenses	255,350	256,628
Postage and delivery	173,963	189,379
Professionals fees	230,287	167,423
Legal fees	263,588	137,847
Benefit communications	232,282	129,653
Building expenses	112,037	109,392
Utilities expenses	83,571	76,423
Computer supplies and expenses	44,190	61,691
Audit and actuarial fees	174,400	61,100
Health education programs	18,767	51,955
Fiduciary liability insurance	62,893	51,262
Photocopying expenses	35,496	42,403
Printing expenses	37,224	39,690
Insurance expenses	41,491	39,481
Bank fees, interest, and penalty	27,630	30,744
Outside services	41,483	23,299
Publications, subscriptions, and dues	14,555	19,796
Trustees conference and meeting expenses	1,948	19,239
Employee related expenses	5,671	14,616
Miscellaneous expenses	18,769	11,475
Office supplies and expenses	10,339	9,321
Rental expenses	8,792	9,132
Business personal property tax	5,361	6,710
Health Traxx newsletter	4,360	5,577
Staff training and conference	4,942	1,719
Total	$ 13,552,181	$ 8,820,418

	2016	2015
Group Term Life Insurance - Lincoln National Life	$ 1,284,460	$ 1,212,114
Utilization Management - Health Care Partners/Telligen	272,334	538,293
Behavioral Health - Human Behavioral Institute	229,138	226,328
Vision PPO Network - Vision Service Plan	166,372	164,159
Retiree Premium - United Healthcare/Secure Horizons	152,414	111,910
Medical PPO Network - Coalition of America	81,747	47,019
	$ 2,186,465	$ 2,299,823