JOHNSON LAMBERT LLP

HealthTrust, Inc.

Audited Financial Statements
with Supplementary Information

Years ended June 30, 2016 and 2015
with Report of Independent Auditors

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Contents

JOHNSON LAMBERT LLP

Report of Independent Auditors

To the Board of Directors of
HealthTrust, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of HealthTrust, Inc. (HealthTrust), and its discretely presented component unit, which comprise the statements of net position as of June 30, 2016 and 2015 and the related statements of revenue, expenses and changes in net position and 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 the 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 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of 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 the HealthTrust and its discretely presented component unit as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-15, the Reconciliation of Claims Liabilities by Type of Contract on pages 48-49, the Ten-Year Claims Development Information on pages 50-51 and the Ten-Year Schedule of Employer Pension Information on page 52 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.

Reporting on Other Legal and regulatory Requirements
In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of the HealthTrust'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 to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Johnson Lambert LLP

Burlington, Vermont
November 16, 2016
Firm registration: 092-0000267

HealthTrust, Inc.

Management's Discussion and Analysis (Unaudited)

Years ended June 30, 2016 and 2015

Introduction:

As management of HealthTrust, Inc. (HealthTrust), we offer readers of the financial statements this narrative overview and analysis of the financial activities of HealthTrust for the years ended June 30, 2016 and 2015 and for the 10 month period ended June 30, 2014. This section, the management's discussion and analysis, is intended to provide an overview of HealthTrust's financial condition, results of operations, and other key information.

HealthTrust's basic financial statements are comprised of four components, 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows and 4) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The financial statements contained within this report are reflective of the years ending June 30, 2016 and 2015.

Overview:

HealthTrust is governed by its Board of Directors and operates on a fiscal year ended June 30.

HealthTrust offers employee benefit coverage options to its participating groups (hereafter "Members"). HealthTrust operates under New Hampshire RSA 5-B. This statute and the HealthTrust ByLaws permit all political subdivisions of the State of New Hampshire, and their instrumentalities, to participate in its pooled risk management program.

HealthTrust's mission is to provide high quality, cost-effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention.

HealthTrust is a New Hampshire voluntary corporation, with its income not subject to federal income taxation under Internal Revenue Code Section 115. HealthTrust believes that operating without profit seeking contributes to its ability to deliver products to public sector employers and through them to their employees at lower rates than might otherwise be obtained for comparable products within the commercial marketplace.

HealthTrust and Anthem Blue Cross and Blue Shield (Anthem) entered into a contract effective through June 30, 2020. Under this contract, Anthem provides claims settlement, medical management services, and access to a comprehensive provider network for HealthTrust. HealthTrust bears the financial risk of the coverage agreement with Members for medical, dental and short-term disability coverage. HealthTrust's covered enrollees have health care cards with both Anthem's and HealthTrust's logo.

Overview: (Continued)

HealthTrust works collaboratively with Anthem to provide a full range of medical plan options to meet the changing requirements of the public sector. Together we bring focus to public sector issues and concerns to better meet the public sector's healthcare needs. Under this agreement, HealthTrust is the public sector primary source for distribution of Anthem's medical products in New Hampshire, except where otherwise provided by law.

Statement of Financial Position:

This statement provides information about HealthTrust's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2016 and 2015. The majority of HealthTrust's assets are cash, or can be converted to cash quickly, or are expected to become cash soon.

The liabilities reflect claims paid by contracted third party administrators in the audit period, but not reported to HealthTrust until after June 30, 2016, amounts owed to outside companies for services within the audit period that were paid after June 30, 2016, amounts on deposit with HealthTrust as part of the self-funded plus program, amounts calculated by qualified actuarial consultants as reasonable estimates for claims incurred but not yet reported to the claims administrators, premium deficiency reserves, amounts required to be returned to Members, and other accrued expenses.

Net position identifies the difference between assets and liabilities and represents investments in Center at Triangle Park, Inc. (CTP) and capital assets along with unrestricted net position. HealthTrust's governing board, with advice from its consulting actuary, annually reviews the proper level of capital adequacy reserve (also known as the designated total net position target level) it needs to maintain solvency.

Statement of Revenues, Expenses, and Changes in Net Position:

The results of HealthTrust's operating activity are shown on this statement. This statement provides information about the level of contributions, reinsurance, claims and operating expenses for the fiscal year. Information about other sources of income and other expenses is provided. Lastly, this statement sets forth HealthTrust's change in net position for the year.

Statement of Cash Flows:

This statement reviews how HealthTrust's cash balance changed during the fiscal year. It is divided into three different areas explaining where HealthTrust provided or used cash during the year. These areas relate to HealthTrust's operations, investing activities and capital and related financing activities (sale and acquisition of capital assets). It substantiates and reconciles the increase or decrease in HealthTrust's cash position.

Net Position and Changes in Net Position:

HealthTrust's total assets as of June 30, 2016, 2015 and 2014 are $115.2 million, $144.5 million and $175.1 million, respectively. The decrease in assets is largely due to a decreased cash and cash equivalents, (the Statement of Cash Flows identifies inflows and outflows of cash and cash equivalents), resulting primarily from prior year return of surplus payments to members. HealthTrust's investments in equity and fixed income securities increased in value by $879 thousand during the year ended June 30, 2016, as compared to a $1.1 million decrease during the year ended June 30, 2015 due in large part to fluctuations in equity and fixed income securities market performance.

HealthTrust's total liabilities as of June 30, 2016, 2015 and 2014 are $51.1 million, $60.5 million and $99.8 million, respectively. The decrease in liabilities is primarily the result of return of surplus payments to members. Return of surplus liabilities as of June 30, 2016, 2015 and 2014 are $0, $27.2 million and $62.5 million, respectively.

HealthTrust's total net position as a result of combined effects of assets and liabilities as of June 30, 2016, 2015 and 2014 totaled $64.8 million, $84.3 million, and $75.4 million respectively.

The following table shows HealthTrust's condensed net position as of June 30, 2016, 2015 and 2014.

	6/30/2016	6/30/2015	% Chg	6/30/14	% Chg
Assets	$108,342,383	$136,921,201	(21) %	$166,991,469	(18) %
Capital Assets	421,959	132,670	218 %	450,284	(71) %
Investment in Center at Triangle Park	6,461,888	7,419,136	(13) %	7,677,347	(3) %
Total Assets	115,226,230	144,473,007	(20) %	175,119,100	(18) %
Deferred Outflow of Resources	1,076,950	432,227	149 %	-	- %
Liabilities	51,138,814	33,316,159	53 %	37,241,769	(11) %
Return of Surplus Liabilities	-	27,191,272	(100)%	62,527,331	(57) %
Total Liabilities	51,138,814	60,507,431	(15) %	99,769,100	(39) %
Deferred Inflow of Resources	330,990	124,701	165 %	-	- %
Net Position					
Unrestricted	57,949,530	76,721,296	(24) %	67,222,369	14 %
Invested in Center at Triangle Park	6,461,888	7,419,136	(13) %	7,677,347	(3) %
Invested in Capital Assets	421,958	132,670	218 %	450,284	(71) %
Total Net Position	$ 64,833,376	$ 84,273,102	(23) %	$ 75,350,000	12 %

Net Position and Changes in Net Position: (Continued)

Consistent with the Governmental Accounting Standards Board's requirements, HealthTrust reflects net position in three categories, restricted, unrestricted and invested in capital assets. The amount invested in capital assets reflects the amount invested in Center at Triangle Park, Inc. (CTP), equipment and other capital assets (computer software, hardware, furniture, etc.), net of depreciation. The amount in unrestricted net position reflects all other categories of net position, including the net unrealized gain/(loss) on marking investments to fair value. As described in Note 3, these amounts are segregated into several categories as recognized by the HealthTrust Board of Directors. The categories include amounts for designated total net position target to protect the Members from unanticipated events such as larger than expected claims volume, unexpected decline in the value of invested funds, or other similar unforeseen events.

Liabilities:

Liabilities totaled $51.1 million at June 30, 2016, as compared to $60.5 million at June 30, 2015 and $99.8 at June 30, 2014. The decrease in liabilities is primarily related to return of surplus liabilities totaling $0 at June 30, 2016, $27.2 million at June 30, 2015 and $62.5 million at June 30, 2014. Liabilities at June 30, 2016 are primarily comprised of claim and claim administration reserves totaling $20.9 million and payables totaling $15.5 million. In addition we also recorded a $1.4 million net pension liability, a $2.3 million contingent liability and a premium deficiency reserve of $11 million at June 30, 2016. Claims reserves are based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that been incurred, but not reported.

In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. As further described in Note 6, HealthTrust recorded a premium deficiency reserve in the amount of $11 million and $2.4 million as of June 30, 2016 and 2015, respectively. No premium deficiency reserve was recorded as of June 30, 2014.

Operating Results:

HealthTrust's operating results for the years ended June 30, 2016 (FY2016), 2015 (FY2015) and the ten month period ended June 30, 2014 (FY2014) totaled $(21.4) million, $7.4 million, and $(918) thousand, respectively. Including nonoperating revenues and expenses, decrease in investment in CTP, and cumulative effect of change in accounting principle, net position during FY2016, FY2015 and FY2014 decreased by $(19.4) million, increased by $8.9 million, and increased by $2.9 million, respectively. The operating results are directly related to return of surplus payments and are impacted by positive and negative claims experience as compared to estimates made during the rating process. The changes in net position from nonoperating revenues are due to investment income and changes in the fair value of investments resulting from market fluctuations.

After receiving the audit results for the prior year, the governing board reviews the total net position to identify the amount above the designated total net position target to be returned to participating member groups.

Operating Results: (Continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position for FY2016, FY2015 and FY2014.

	For the years ended			For the period ended	
	6/30/2016	6/30/2015	% Chg	6/30/2014	% Chg
Operating Revenues					
Contributions	$400,803,186	$406,429,433	(1)%	$355,929,974	14 %
Reinsurance Expense	-	-	- %	(568,920)	(100)%
Other Revenues	3,610,171	2,712,623	33 %	1,439,917	88 %
Net Operating Revenues	404,413,357	409,142,056	(1)%	356,800,971	15 %
Operating Expenses					
Claims Incurred	379,960,611	364,020,710	4 %	296,011,943	24 %
Anthem EPHC provider payments	2,720,207	1,728,524	57 %	-	- %
Administrative Fees Paid	15,015,254	15,296,635	(2)%	12,346,858	24 %
Affordable Care Act - Federal Taxes	2,224,142	3,454,559	(36)%	930,254	271 %
Premium Deficiency Expense	8,600,000	2,400,000	296 %	-	- %
Return of Surplus Expenses	-	-	- %	34,150,565	(100)%
Other Operating Expenses	15,008,441	14,800,609	1 %	14,279,484	4 %
Contingent Liability Expense	2,300,000	-	100 %	-	- %
Total Operating Expenses	425,828,655	401,701,037	6 %	357,719,104	12 %
Operating (Loss) Gain	(21,415,298)	7,441,019	(388)%	(918,133)	(910)%
Non-Operating Revenues					
Investment Income	1,538,208	2,672,149	(42)%	1,378,226	(94)%
Net Change in fair value of investment securities	879,440	(1,066,334)	182 %	2,525,487	(142)%
Total Non-Operating Revenues	2,417,648	1,605,815	51 %	3,903,713	(59)%
Change in Net Position before Extraordinary Items	(18,997,650)	9,046,834	(310)%	2,985,580	203 %
Extraordinary Items					
Provision for settlement payment from PLT	-	519,000	(100)%	-	100 %
Total Extraordinary Items	-	519,000	0 %	0 %	0 %
Change in Net Position before investment in subsidiary	(18,997,650)	9,565,834	(299)%	2,985,580	220 %
Decrease in investment in Center at Triangle Park, Inc.	(442,076)	(258,211)	71 %	(92,048)	181 %
Change in Net Position	(19,439,726)	9,307,623	(309)%	2,893,532	222 %
Total Net Position - Beginning of Year	84,273,102	75,350,000	12 %	72,456,468	4 %
Cumulative effect of change in accounting principle	-	(384,521)	100 %	-	100 %
Total Net Position - End of Year	$ 64,833,376	$ 84,273,102	(23)%	$ 75,350,000	12 %

Operating Revenues:

Net operating revenues for FY2016, FY2015 and FY2014 totaled $404.4 million, $409.1 million and $356.8 million respectively. FY2016 net operating revenues decreased 1% due to a slight decrease in covered persons. FY2015 increased $52.3 million from FY2014 as a result of the FY2014 reporting period only included ten months of activity.

Operating revenues are primarily comprised of contributions earned from participating Member groups. The cash provided by operating activities is detailed in the Statements of Cash Flows.

Operating Expenses:

Total operating expenses for FY2016, FY2015 and FY2014 totaled $425.8 million, $401.7 million and $357.7 million respectively. FY2016 operating expenses increased 24.1 million over the prior year as a result of increased claims experience and premium deficiency reserve expenses. FY2015 increased $44 million over the prior fiscal year as a result of the FY2014 reporting period only included ten months of activity.

FY2016 operating expenses primarily include claims and provider payments incurred totaling $382.7 million, claims administration fees totaling $15.0 million, other operating expenses totaling $14.3 million, a premium deficiency reserve expense totaling $8.6 million, Affordable Care Act fees totaling $2.2 million, a contingent liability expense of $2.3 million and State vaccine assessments totaling $634 thousand.

Expenses as a percentage of contributions for FY2016, FY2015 and FY2014 are as follows:

	2016	2015	2014
Claims incurred	94.8 %	89.6 %	83.2 %
Other expenses	3.6 %	3.3 %	2.8 %
Administration	3.7 %	3.8 %	3.7 %
Premium Deficiency Expense	2.4 %	0.6 %	- %
Anthem EPHC provider payments	0.7 %	0.4 %	- %
Affordable Car Act Fees	0.6 %	0.8 %	0.3 %
Contingent Liability Expense	0.6 %	- %	- %
State Vaccine Assessments	0.2 %	0.2 %	0.7 %
Return of Surplus	- %	- %	9.6 %

Cash Flows:

Cash and cash equivalents decreased by $33.1 million for FY2016. As seen on the Statement of Cash Flows, $32.7 million was used by operating activities and $362 thousand was used by investing activities. HealthTrust has several policies to ensure its cash flow needs are met. These policies address the level of cash:

- To be maintained in interest bearing accounts
- To be allocated to cash and investments maturing in three years or less

HealthTrust maintained sufficient cash and investments to meet these policies for the period ending June 30, 2016. All cash is maintained in interest bearing, collateralized accounts at all times. At June 30, 2016 HealthTrust had approximately 35.5 days of cash on hand as compared to 67.1 days of cash on hand at June 30, 2015 and 115 days of cash on hand at June 30, 2014. The Board of Directors deems this to be a sufficient level of cash on hand to meet obligations and to provide ample time to liquidate investments should the need arise. The duration of the portfolio, as calculated by the investment managers, was 3.40 years at June 30, 2016, as compared to 3.94 years at June 30, 2015, and 4.17 years at June 30, 2014.

Changes in Participating Risk Pool Groups:

HealthTrust closely watches changes in the number of Member groups and the number of covered enrollees, both in total and by plan as indicators. These indicators are important factors in administering programs, and could potentially affect claim volume. Significant shifts in the plan options selected at the Member and enrollee level can impact claims projections and future trend development. For example, a shift to plans with increased cost share or network incentives could indicate reduced claims costs from the rating period projections. An increase in the number of covered enrollees could create more participation in health management programs, resulting in additional incentive dollars being paid as well as the need for additional capacity to service the expanded enrollee base.

As of June 30, 2016, HealthTrust covered 71,158 unique covered persons participating in at least one of the following coverage's: medical, dental, short-term disability, long-term disability and life insurance. These covered persons represent employees, retirees, spouses, and dependents. Indemnity enrollment equals 1.1% of the covered persons, Point of Service (POS) enrollment equaled 25.9%, HMO enrollment equaled 59.2%, MediComp III coverage was at 11.8% and Consumer Driven Health Plan (CDHP) enrollment remained minimal with 2.0% and PPO at less than 0.1% of the covered employees enrolled. Life and Long-term Disability, is insured through Madison Life Insurance Company in partnership with National Insurance Services, Inc.

This table represents the number of covered persons from FY2016, FY2015 and FY2014.

	2016	2015	2014
Medical	53,202	54,213	55,380
Dental	54,632	55,182	55,472
Life	7,558	7,325	7,476
Short-term disability	2,932	3,366	3,458
Long-term disability	3,998	3,990	4,043

Participation: HealthTrust contracts with participating groups for coverage and the associated contribution rates on an annual basis for the upcoming coverage year. HealthTrust Bylaws provide that a Member may withdraw from coverage at any time, if proper notice is given as outlined in the HealthTrust Bylaws. Therefore, HealthTrust does not maintain any multi-year contracts with its Members. However, Members generally maintain coverage for a full annual cycle making any changes on their plan's anniversary date which is either on January 1 or July 1. If a Member withdraws from HealthTrust's medical coverage, they are required to wait two years before becoming eligible to rejoin the medical coverage pool.

Market Share: HealthTrust operates in a marketplace where there is targeted competition. HealthTrust estimates its current enrolled HealthTrust employer groups to represent 63% of the total eligible number of groups in the NH public sector marketplace for medical coverage. HealthTrust provides active renewals for current Members and for eligible groups seeking new coverage. Due to the extremely competitive environment, HealthTrust expects to continue to see some movement between public sector risk pool groups on a regular basis.

Rating: HealthTrust employs recognized benefits and actuarial firms for advice regarding the expected revenue needed and the resulting rates to be established for its coverage lines at each renewal. Since HealthTrust operates without seeking a profit, the philosophy of the rating process is to raise only an amount of revenue necessary to meet HealthTrust's needs for payment of claims, administration, prudent reserves, and health management expenses. As with any actuarial prediction, there is a degree of uncertainty as to whether a particular rating will be sufficient in any one year to meet all of the needs of HealthTrust for that year. Similarly, there exists in the rating process the possibility that rates established in any year will produce higher revenue than is needed. HealthTrust believes there is a high degree of likelihood that the revenue raised and the rates established over time will be adequate to meet HealthTrust's obligations to its Members and their employees, retirees and dependents.

Outlook: HealthTrust and its Board of Directors continue to focus on providing high quality, comprehensive coverages at the lowest possible cost while maintaining program services to provide exceptional education and training that focus on improving and maintaining the health of the enrolled population. HealthTrust continues to offer the *Slice of Life* program along with many administrative services that HealthTrust believe set us apart in the New Hampshire public sector marketplace. Below are a few of the highlighted program services that continue to set HealthTrust apart from the marketplace options.

Continued Plan Choice and Flexibility: While Members have a menu of more than thirty-five different medical plan options and multiple prescription drug plan components to choose from, HealthTrust continues to work with Anthem, a third-party administrator, to explore the marketplace for plans and services that are innovative and original. In addition, the flexibility that HealthTrust extends by allowing an array of plan options to be offered enables HealthTrust Member Groups to develop benefits and compensation strategies targeting specific budget goals while still permitting the flexibility of choice.

Retiree Billing Services: HealthTrust Members may elect for HealthTrust to provide billing administration for their retirees' medical and dental coverage on the Member's behalf. If elected, HealthTrust handles all aspects of billing, including sending monthly invoices, collecting payments, coordinating with New Hampshire Retirement System payments, and following up on unpaid accounts. Member groups remain ultimately liable for any uncollectible retiree billings. As of June 30, 2016, HealthTrust manages payments for over 8,648 retirees on behalf of Members.

Retiree Specialist: HealthTrust offers the services of a Retiree Specialist who assists Members and their retirees alike with a multitude of questions and issues relative to retiree eligibility, health coverage, Medicare, the New Hampshire Retirement System medical subsidy, and more. On behalf of Member Groups and their retirees, the Retiree Specialist works closely with the New Hampshire Retirement System relative to issues of eligibility and medical subsidy. Additionally, HealthTrust offers four workshops a year to retirees turning age 65, providing valuable information regarding the Medicare supplement plan and enrollment assistance. Member Benefit Administrators are also offered sessions on retiree eligibility and coverage during two available workshops a year.

COBRA Administration and Billing Services: On behalf of HealthTrust Member Groups offering HealthTrust sponsored medical and/or dental plan coverage, HealthTrust administers the various required COBRA notices, including the Initial COBRA Notice, Notice of Qualifying Event, and COBRA Termination Notice. As an added service for Members that elect COBRA billing services, HealthTrust, on the Member's behalf, will issue invoices directly to COBRA beneficiaries and collect COBRA payment directly from COBRA enrollees, thereby relieving HealthTrust Members of the administration of collecting COBRA contribution payments. For the period of July 1, 2015 – June 30, 2016 HealthTrust handled COBRA billing administration for up to 206 COBRA beneficiaries.

Transition Care and Survivor Care: These two services offered through HealthTrust are designed to continue providing medical and/or dental benefits to covered family members of employees who die while they are active employees of a HealthTrust Member. *Transition Care* pays the required contribution for an employee’s surviving covered family members for COBRA or retiree coverage for up to 12 months after an employee’s death. In the event that the death occurred while the employee was performing his or her job responsibilities, the *Survivor Care* benefit will continue to cover the required contributions toward medical and/or dental coverage for an employee’s previously enrolled family members until certain cutoff events occur. For the period of July 1, 2015 – June 30, 2016 HealthTrust provided *Transition Care* benefits to 23 surviving families and *Survivor Care* to 3 surviving families.

Onsite Services: HealthTrust strives to continually meet the needs of Member Groups and enrollees. Benefits & Wellness team members continued to meet enrollees at the Member groups' locations to provide a variety of trainings and benefit educations.

Workshops: Staff presented various workshops designed to assist Member Benefits Administrators perform their responsibilities. Benefit Administrators attend these Workshops, which included the annual Benefits Administrator Workshop as well as many healthcare reform workshops to provide Benefits Administrators with updates and new relevant information needed to comply with healthcare reform and administration of employee benefits.

Claims Advocate: Covered individuals who need guidance with claims processing can call on HealthTrust’s Enrollee Services to assist by facilitating communication between the enrollee and the health plan claims administrator (Anthem, Caremark, and Delta Dental). Enrollee Services staff continues to provide advocate support to hundreds of covered individuals annually.

HealthTrust Incentive Program: The HealthTrust Incentive Program is extended to medically covered enrollees as an incentive to watch for billing errors by monitoring their healthcare providers' invoices and processed claims statements. With the incentive program, enrollees may be eligible for 50% of the savings for each claim error that is identified and corrected, up to a $1,000 maximum.

Communications: HealthTrust strives to serve as a resource for information regarding benefits administration. HealthTrust regularly communicates with Members through various newsletters and our comprehensive website. These resources keep Members up to date on available programs and services. HealthTrust's robust website, www.healthtrustnh.org, offers HealthTrust's Members and enrollees a comprehensive location for accessing program and service-related information. The website includes a public section, and two password-protected sections, one each for Members and enrollees.

Through the Member website, designated key contacts of Member groups with medical and/or dental plan coverage can use the secure portal to submit electronic transactions such as ID card requests, salary changes, notice of changes in the number of covered persons, and more. Additionally, Members can download and print many enrollment forms and access certain resources such as the Benefits Administrator Manual and the Member's specific Transmittal and Carrier Table.

Through the secure enrollee portal, enrollees with medical and/or dental plan coverage can create a password-protected online account. When they sign in to this account, they can complete and submit interactive forms, such as ID card requests or address changes, download printable forms, and view resources and program details not available to the general public. Through our enhanced single sign-on, enrollees who log in to their secure account also have direct, one-click access to their accounts at three vendor websites: CVS/caremark, Onlife Health, and SmartShopper. One username and password allows enrollees to do wide-ranging tasks such as refill prescriptions by clicking the CVS/caremark button, track their health behaviors and earn points toward cash incentives by clicking the Onlife Health button, and shop for cost-effective medical procedures and services by clicking the SmartShopper button.

HealthTrust's *Slice of Life* program: Slice of Life provides programs and services designed to boost morale, reduce absenteeism, and increase cost savings resulting from fewer healthcare claims. Any individuals who are covered by a HealthTrust medical program may avail themselves, at no additional cost, of valuable health management support and incentives. Health management workshops provide an avenue for educating HealthTrust Groups' employees about the Slice of Life program and its many components.

Two components of Slice of Life – the Health Assessment (HA) questionnaire and Biometric Health Screenings – give participants a clear picture of their current health, help them to set health goals and create a plan for achieving those goals. The confidential HA questionnaire is designed to help assess an enrollee's health from year to year. Taking the HA questionnaire is a completely voluntary and confidential process. The HA acts as the "gateway" to the full Slice of Life program; upon submission of their completed HA, covered individuals become eligible to participate in and receive financial incentives from other Slice of Life program components. They also receive a personalized health report that identifies areas of health risk and provides information about how those risks can be reduced to maximize health status. During the year ended June 30, 2016, 15,829 HealthTrust enrollees, spouses, dependent children age 18 and older and retirees participated in the Slice of Life Health Assessment program, received a financial incentive for completing the HA, and qualified for access to other Slice of Life program components.

HealthTrust's *Slice of Life* program: (Continued)

Through the Slice of Life Biometric Health Screening program, covered individuals can learn their vital health measurements that can help give them a clear picture of their current health. Those measurements include blood pressure, blood sugar, blood cholesterol, body weight, waist circumference and body mass index (BMI). To participate in this component of Slice of Life, covered individuals can either complete a Biometric Health Screening form with their own primary care provider at a check-up, or they can attend a Biometric Health Screening event sponsored by HealthTrust. During Fiscal Year 2016, HealthTrust sponsored 51 Biometric Health Screening events throughout New Hampshire at which 8,390 HealthTrust enrollees, retirees, covered spouses and dependent children ages 18 and older were screened.

The following are some other key components to the *Slice of Life* program:

- Health Coaching provides identified individuals with some additional support to effectively manage chronic conditions or develop strategies to support changes in lifestyle such as becoming more active, losing weight or reducing stress. During the year ended June 30, 2016, 797 HealthTrust enrollees, spouses, dependent children age 18 and older, and retirees participated in Health Coaching programs.

- *Health Awareness Program* provides calendar year reimbursements for eligible programs covering a wide variety of health and safety related issues and activities that are geared toward reaping the rewards of a healthier lifestyle.

- LifeResources Employee Assistance Program offers comprehensive mental health counseling and referral services for issues such as stress management, parenting, addictions, help to finding housing options for aging parents, and guidance about managing credit card debt.

- *Slice of Life* newsletters are quarterly publications sent to enrollees (including retirees), containing information related to important health and wellness issues plus important health plan news.

- Flu Vaccine Program provides a reimbursement program for onsite flu shot clinics for covered individuals.

- C*oordinator Connection* is a quarterly newsletter designed to provide a variety of resources to assist Wellness Coordinators at Member Groups with wellness planning efforts at the individual group level.

- *Wellness Coordinator Academy* The Wellness Coordinator Academy provides health and safety leaders with the necessary knowledge and resources that will enable them to guide their coworkers to become more aware of the issues that affect health and safety both at work and at home. To date, HealthTrust has 146 coordinators providing wellness campaigns at their worksites. The goal is to train thirty new coordinators per year while still keeping the existing coordinators engaged by meeting with them annually and continuing to provide them with $500

HealthTrust's *Slice of Life* program: (Continued)

per year to use toward their annual wellness campaigns. Consultation Services provided by HealthTrust's Wellness Advisors help design and implement group wellness programs, including by analyzing a Member group's health claims history and customizing a health management program based on the group's specific needs.

- *SmartShopper* engages individuals with HealthTrust coverages to be savvy medical consumers and to reward them when they make smart healthcare choices. When their doctor gives them a referral for a medical test or procedure, eligible under the SmartShopper program, they can contact SmartShopper to receive a list of facilities in their area which shows how much each charge for that medical test or procedure. The covered individual can select which facility they go to, and if they choose a cost-effective option, they earn a cash reward. As with all components of Slice of Life, SmartShopper is a completely voluntary and confidential program. HealthTrust has seen very positive results with 2,839 distinct covered individuals shopping for services and 1,534 incentives/rewards being paid with an average savings of $581 per claim resulting in a gross savings of $1,504,339 during the fiscal year ended June 30, 2016.

Flexible Spending Account Administration: HealthTrust continues to provide administrative services to Members offering Flexible Spending Account (FSA) plans. A longtime advocate of this tax savings benefit for employers and employees, HealthTrust brought these administrative services in house effective January 1, 2006. HealthTrust assists interested Members offering the Pre Tax Payroll Deduction of Insurance Premiums (Premium Conversion), as well as administration of the groups' Healthcare Flexible Spending and Dependent Care Reimbursement Plans.

Healthcare Reform Education and Assistance: The Benefits teams continued to monitor and assist with the implementation of changes required by the Federal healthcare reform law. Through presentations at HealthTrust Benefits Administrator workshops and various other conferences and seminars for associations of school and municipal officials and administrators, HealthTrust educated and assisted HealthTrust Members regarding the healthcare reform requirements that are already in effect as well as planning for the requirements that will become effective over the next few years. Our educational efforts also included publication of articles, newsletters and various other correspondence and presentation of webinars on the primary aspects of healthcare reform impacting HealthTrust groups and their employees.

Conclusion: HealthTrust distinguishes itself from commercial insurers through its close relationship to its Members. The HealthTrust Board is elected by the Members and is made up of elected officials, employees and management from schools, municipalities, and counties. As such, its decisions are focused directly on the needs and values of the Members and HealthTrust's services takes a holistic approach to meeting the employee benefit coverage and service needs of its Members.

HealthTrust is committed to providing high quality, cost effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention.

HealthTrust, Inc.

Statements of Net Position

As of June 30, 2016 and 2015

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2016	2015	2016	2015
Assets				
Cash and cash equivalents	$ 41,269,477	$ 74,376,363	$ 443,110	$ 210,596
Fixed-maturity securities	47,970,828	38,665,551	-	-
Mutual funds	10,122,669	10,238,477	-	-
Investment in external investment pool	-	5,962,904	-	-
Contributions receivable	6,636,984	5,331,974	-	-
Accounts receivable	358,395	362,616	5,273	1,000
Accrued interest receivable	269,857	201,368	-	-
Prepaid expenses	292,949	374,210	1,282	1,542
Deposits	1,421,224	1,407,738	-	-
Property and equipment, net	421,959	132,670	6,159,618	7,411,389
Investment in Center at Triangle Park, Inc.	6,461,888	7,419,136	-	-
Total Assets	115,226,230	144,473,007	6,609,283	7,624,527
Deferred Outflow of Resources				
Deferred gain on pension assets	919,391	263,381	-	-
Deferred pension contributions	157,559	168,846	-	-
Total Deferred Outflow of Resources	1,076,950	432,227	-	-
Liabilities				
Claims payable	10,202,535	5,814,384	-	-
Claims reserves	18,376,319	17,541,054	-	-
Claims administration reserves	2,553,813	2,588,707	-	-
Deposit held for self-funded group	260,208	252,318	-	-
Accounts payable and accrued expenses	3,889,610	3,646,662	61,473	110,706
Accounts payable - vaccine program	313,214	4,543	-	-
Due to other entities	-	-	2,466	1,400
Unearned contributions	519,053	345,686	-	-
Deferred revenue	-	-	2,000	-
Return of surplus to members	-	27,191,272	-	-
Contingent liability	2,300,000	-	-	-
Premium deficiency reserve	11,000,000	2,400,000	-	-
Capital lease liability	373,067	-	-	-
Net pension liability	1,350,995	722,805	-	-
Total Liabilities	51,138,814	60,507,431	65,939	112,106

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Net Position (Continued)

As of June 30, 2016 and 2015

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2016	2015	2016	2015
Deferred Inflow of Resources				
Deferred pension expenses	330,990	124,701	-	-
Total Deferred Inflow of Resources	330,990	124,701	-	-
Net Position				
Unrestricted	53,018,519	72,669,725	173,669	146,338
Unrestricted - net unrealized gain on investment securities	4,931,011	4,051,571	-	-
Invested in Center at Triangle Park, Inc.	6,461,888	7,419,136	-	-
Invested in capital assets	421,958	132,670	6,369,675	7,366,083
Total Net Position	$ 64,833,376	$ 84,273,102	$ 6,543,344	$ 7,512,421

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Net Position (Continued)

As of June 30, 2016 and 2015

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2016	2015	2016	2015
Operating Revenues				
Contributions earned from participating risk pool groups	$400,803,186	$406,429,433	$ -	$ -
Self-funded plus program - net	(56,972)	159,415	-	-
Rent	-	-	458,167	473,167
Support services income	334,085	513,110	-	-
Prescription administration	3,042,823	1,072,911	-	-
FSA revenue	154,983	141,519	-	-
Cobra and Medicare Part D	29,445	26,611	-	-
Other revenues	105,807	799,057	5,155	6,545
Net operating revenues	404,413,357	409,142,056	463,322	479,712
Operating Expenses				
Claims incurred	379,960,611	364,020,710	-	-
Anthem EPHC provider payments	2,720,207	1,728,524	-	-
Premium deficiency expense	8,600,000	2,400,000	-	-
Administrative fees paid	15,015,254	15,296,635	-	-
Affordable Care Act - Federal Taxes	2,224,142	3,454,559		
Contingent liability expense	2,300,000	-	-	-
BSR Expenses	-	249,163	-	-
Vaccine program	633,764	856,134	-	-
Depreciation and amortization	98,001	317,614	240,898	233,506
Other expenses	14,276,676	13,377,698	402,014	478,150
Realized loss on sale of land	-	-	49,817	-
Impairment loss on land	-	-	218,210	-
Total operating expenses	425,828,655	401,701,037	910,939	711,656
Operating (loss) gain	(21,415,298)	7,441,019	(447,617)	(231,944)

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

For the years ended June 30, 2016 and 2015

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
	2016	2015	2016	2015
Nonoperating income				
Investment and interest income	$ 1,538,208	$ 2,672,149	$ 79	$ 35
Net increase in fair value of investment securities	879,440	(1,066,334)	-	-
Total nonoperating income	2,417,648	1,605,815	79	35
Extraordinary Items				
Provision for settlement payment from PLT	-	519,000	-	-
Total extraordinary items	-	519,000	-	-
(Decrease) increase in net position before investment in subsidiary	(18,997,650)	9,565,834	(447,538)	(231,909)
Decrease in investment in Center at Triangle Park, Inc.	(442,076)	(258,211)	-	-
(Decrease) increase in net position	(19,439,726)	9,307,623	(447,538)	(231,909)
Net position, beginning of year	84,273,102	75,350,000	7,512,421	7,744,330
Shareholder distribution	-	-	(521,539)	-
Cumulative effect of change in accounting principle - See note 1	-	(384,521)	-	-
Net position, end of year	$ 64,833,376	$ 84,273,102	$ 6,543,344	$ 7,512,421

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Cash Flows

For the years ended June 30, 2016 and 2015

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
Cash Flows from Operating Activities	2016	2015	2016	2015
Contributions collected from participating risk pool groups	$ 402,714,366	$ 407,686,708	$ -	$ -
Cash received from other sources	361,049	914,044	5,155	6,545
Claims paid	(377,489,370)	(367,490,998)	-	-
Rental income collected	-	-	455,894	473,167
Salaries paid	(6,533,052)	(6,630,535)	-	-
Administrative expenses paid	(17,240,312)	(19,848,521)	-	-
Vaccine program expenses paid	(430,877)	443,333	-	-
Health Management support and initiatives paid	(3,659,415)	(3,393,530)	-	-
Support services income	330,414	863,848	-	-
Other expenses paid	(3,464,463)	(5,330,749)	(449,921)	(443,251)
Return of surplus	(27,191,272)	(35,336,059)	-	-
Contribution holiday paid	-	(3,843,471)	-	-
Net cash provided by self-funded plus program	(114,012)	163,275	-	-
Deposits	(13,486)	-	-	-
Net cash (used) provided by operating activities	(32,730,430)	(31,802,655)	11,128	36,461
Cash Flows from Investing Activities				
Proceeds from the sale of investments	17,777,497	11,154,584	-	-
Cash payments for the purchase of investments	(20,124,622)	(9,487,117)	-	-
Interest and dividends on investment securities	1,469,719	2,667,284	79	35
Proceeds from shareholder distribution from CTP	515,172	-	-	-
Net cash (used) provided by investing activities	(362,234)	4,334,751	79	35
Cash Flows from Capital and Related Financing Activities				
Payments for the acquisition of property and equipment	(6,870)	-	(51,154)	(45,306)
Principal repayments on capital lease	(7,352)	-	-	-
Proceeds from sale of property and equipment	-	-	794,000	-
Payment of shareholder distribution	-	-	(521,539)	-
Net cash (used) provided by capital activities	(14,222)	-	221,307	(45,306)
Cash Flows from Extraordinary Items				
Payment received from Property-Liability Trust, Inc.	-	519,000	-	-
Net cash provided by extraordinary items	-	519,000	-	-
Net change in cash and cash equivalents	(33,106,886)	(26,948,904)	232,514	(8,810)
Cash and cash equivalents, beginning of year	74,376,363	101,325,267	210,596	219,406
Cash and cash equivalents, end of year	$ 41,269,477	$ 74,376,363	$ 443,110	$ 210,596

See accompanying notes to the financial statements.

HealthTrust, Inc.

Statements of Cash Flows (Continued)

For the years ended June 30, 2016 and 2015

	HealthTrust, Inc.		Center at Triangle Park, Inc.	
Reconciliation of operating income to net cash provided (used) by operating activities	2016	2015	2016	2015
Operating (loss) gain	$ (21,415,298)	$ 7,441,019	$ (447,617)	$ (231,944)
Adjustments to reconcile operating income to net cash (used) provided by operating activities				
Depreciation and amortization	98,001	317,614	240,898	233,506
Realized loss on sale of land	-	-	49,817	-
Impairment loss on land	-	-	218,210	-
Contributions receivable	(1,305,010)	338,917	-	-
Accounts receivable	4,220	88,909	(4,273)	-
Prepaid expenses	81,261	(35,398)	260	(1,542)
Deposits	(13,486)	-	-	-
Deferred gain on pension assets	(656,010)	(263,381)	-	-
Deferred pension contributions	11,287	7,154	-	-
Claims payable	4,388,151	(3,275,719)	-	-
Claims reserves	835,265	1,507,166	-	-
Claim administration reserves	(34,894)	38,704	-	-
Deposit held for self-funded group	7,890	(4,253)	-	-
Contribution holiday payable	-	(3,843,471)	-	-
Accounts payable and accrued expenses	242,948	(311,376)	(49,233)	36,072
Accounts payable - vaccine program	308,671	(415,439)	-	-
Due to other entities	-	-	1,066	369
Unearned contributions	173,367	(147,446)	-	-
Contingent legal liability	-	(596,581)	-	-
Deferred revenue	-	-	2,000	-
Return of 2015 surplus liability	-	(28,376,766)	-	-
Return of 2014 surplus liability	(27,191,272)	(6,959,293)	-	-
Premium deficiency reserve	8,600,000	2,400,000	-	-
Contingent liability	2,300,000	-	-	-
Net pension liability	628,190	162,284	-	-
Deferred pension expenses	206,289	124,701	-	-
Net cash (used) provided by operating activities	$ (32,730,430)	$ (31,802,655)	$ 11,128	$ 36,461

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

HealthTrust, Inc. (HealthTrust or HealthTrust, Inc.), a New Hampshire voluntary corporation was formed to provide employee benefits coverage to political subdivisions of the State of New Hampshire. In accordance with HealthTrust By-Laws, all political subdivisions of the State of New Hampshire and their instrumentalities are eligible to participate. The HealthTrust Board of Directors (Board of Directors) governs HealthTrust. HealthTrust serves as an association of local governments voluntarily joining together to finance their exposure to employee healthcare costs and is funded by its participating risk groups. HealthTrust covered the following separate individuals among all coverage lines at June 30, 2016 and 2015:

	2016	2015
Medical	53,202	54,213
Dental	54,632	55,182
Life	7,558	7,325
Short-term disability	2,932	3,366
Long-term disability	3,998	3,990

HealthTrust's mission is to provide high quality, cost-effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion and disease prevention. Trust underwriting and rate setting policies have been established after consultation with actuaries and consultants.

Center at Triangle Park, Inc. (CTP) was formed as a voluntary corporation and a 501 (c) (25) entity for the purpose of acquiring and holding title to real estate. As of June 30, 2016 and 2015 HealthTrust owns 98.8% of outstanding CTP shares and New Hampshire Municipal Association Inc. (NHMA) owns 1.2%. CTP leases the real estate to HealthTrust, NHMA, Property Liability Trust, Inc. (PLT), and other third parties. The assets and all activity of CTP are included in these financial statements as a discretely presented component unit. HealthTrust reports its investment in CTP on the equity method.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to proprietary funds of governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. HealthTrust's and CTP's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

1. **Summary of Significant Accounting Policies (Continued)**

CTP is, primarily, an internal service fund providing office space to related entities on a cost reimbursement basis. Given HealthTrust's ownership interest in CTP along with its intent that owning CTP enhances its abilities to provide Member services, the financial statements of CTP have been included as a component unit.

Change in Accounting Principle

On July 1, 2014, HealthTrust adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". This change in accounting principle resulted in a reduction of net position as of July 1, 2014 of $384,521. Note 13 of the financial statements includes additional details on accounting and reporting under GASB Statement No. 68.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

Investments

Investments consist of U.S. Government Sponsored Enterprise Securities, U.S. Treasury notes, corporate notes, municipal obligations, commercial mortgage backed securities (MBS), asset backed securities and mutual funds. The securities are carried in the financial statements at fair value. Fair value is determined based upon quoted market prices.

HealthTrust accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement No. 31). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. Realized gains and losses on investments that had been held for more than one year and sold in the current year were included as a change in the fair value of investments reported in the prior years and the current year. Investment purchases are recognized on the trade date. Investments are stated at fair value based on quoted market prices or through a recognized pricing service.

HealthTrust's estimates of fair value for financial assets are based on the framework established in GASB Statement No. 72, *Fair Value Measurement and Application*. The framework is based on the

1. Summary of Significant Accounting Policies (Continued)

inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the HealthTrust's significant market assumptions.

If the inputs used to measure the assets fall within different levels of the hierarchy, the classification is based on the lowest level of input that is significant to the fair value measurement of the asset. Classification of assets within the hierarchy considers the markets in which the assets are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets traded in active markets.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs.

- Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the HealthTrust's own assumptions about the inputs that market participants would use.

Fair values are based on quoted market prices when available (Level 1). HealthTrust receives the quoted market prices from a third party, nationally recognized pricing service. When market prices are not available, the Trust utilizes a pricing service to determine an estimate of fair value. The fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, HealthTrust estimates fair value using methods, models and assumptions that management believes are relevant to the particular asset. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. HealthTrust recognizes transfers between levels at the end of the reporting period.

In accordance with GASB Statement No. 40, "Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3", certain disclosures regarding deposit and investment risks have been provided in Note 4.

1. Summary of Significant Accounting Policies (Continued)

Investment in External Investment Pool

Prior to liquidation during the fiscal year ended June 30, 2016, HealthTrust maintained an equity position in the New Hampshire Public Deposit Investment Pool, which was carried at fair value. Fair value is determined by HealthTrust's proportionate share of the total fair value of the underlying investment pool's portfolio.

Contributions from Participating Risk Pool Groups

Contributions are generally recognized as revenue on a monthly basis over the participation contract term. The portion of the contributions received in cash that will be earned in the future is deferred and reported as unearned contributions. Accounts and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management considers all accounts and contributions receivable to be collectible; an allowance for doubtful accounts has not been provided.

Property and Equipment

Property and equipment with an estimated useful life greater than one year is recorded at cost. The cost of maintenance and repairs is charged to expense as incurred, while renewals, replacement of existing systems, and betterments are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Land is not depreciated.

Property and equipment is depreciated using primarily the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and building improvements	31 - 40 years
Office equipment, computer and other	3 - 5 years
Furniture and fixtures	3 - 5 years

Operating Revenues and Expenses

Operating income reported in the financial statements includes revenues and expenses related to the operations of HealthTrust. Principal operating revenues are contributions earned from participating Member groups to cover estimated benefit obligations and administrative costs, and any increases needed to maintain the actuarially determined capital reserve levels. Principal operating expenses are the costs of providing underwriting and claims payment services and include administrative expenses and depreciation of capital assets. Prescription administration revenues includes prescription rebates related to the use of specialty drugs. FSA and Medicare Part D revenues include administration fees charged to members who elect to have HealthTrust administer their flexible spending accounts and Medicare Part D retiree drug subsidy program. Other revenues and expenses are classified as operating in the financial statements.

1. Summary of Significant Accounting Policies (Continued)

CTP's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result primarily from rental of property, CTP's principal activity. Operating expenses are all expenses incurred in rental operations. Interest income is reported as non-operating income.

Extraordinary Item

HealthTrust received $519,000 from PLT during the year ended June 30, 2015 pursuant to the July 25, 2014 Consent Decree. This amount is reported as an extraordinary item on the Statement of Revenues, Expenses and Changes in Net Position.

Claims Reserves

HealthTrust establishes claims reserves based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Claims reserves are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent claim costs, claim frequency, and other economic and societal factors. Adjustments to claims reserves are charged or credited to expense in the periods in which they are made.

HealthTrust utilizes an independent Consultant Actuary to estimate claims and claims administration reserves for health, dental and short-term disability coverage.

Income Taxes

HealthTrust and CTP are exempt from federal and New Hampshire state income taxes under provisions of the Internal Revenue Code and New Hampshire law.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. The reclassification has no effect on net position or net income.

2. Cash and Cash Equivalents

HealthTrust and CTP maintain cash in bank deposits and cash management accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 as of June 30, 2016 and 2015. As of June 30, 2016 and 2015, the bank balance of cash held, in total, in excess of the FDIC limit, was approximately $41 million, and $74 million, respectively. The balance in excess of the FDIC limit is collateralized with securities held in joint custody with the bank.

3. Net Position

Total Net Position is available to fund HealthTrust's designated total net position target with the remaining balance to be returned to member groups as surplus. Total net position, for HealthTrust, includes the following at June 30, 2016 and 2015:

	2016	2015
Board designated\ total net position target	$ 90,000,000	$ 85,000,000
Undesignated net position	-	-
	$ 90,000,000	$ 85,000,000

There is always the risk of unpredictable claim fluctuations beyond expected levels. The following are some reasons why claims might exceed expected levels: (1) medical trend is significantly higher than expected; (2) a small number of very large randomly occurring claims; (3) influx of new participants that are not as healthy as average existing participants; (4) departure of participants that are healthier than average; (5) federal/state legislation that results in higher costs; and (6) new technologies/treatments such as high cost drugs, and advanced imaging techniques. In order to protect HealthTrust's Member risk pool groups and their covered employees and dependents from these potential unexpected costs; HealthTrust designates a certain level of net position, which it identifies as the capital adequacy reserve target, to ensure the availability of sufficient capital to cover these risks.

On March 4, 2014, the Board of Directors adopted a new policy, which was revised on August 28, 2015, on setting capital adequacy reserves required to satisfy the needs of the plan and to maintain solvency, in accordance with the New Hampshire Supreme Court's decision on the appeal issued on January 10, 2014. The policy states that on an annual basis, HealthTrust, Inc. will engage an independent actuary who is a member of the American Academy of Actuaries, and who is qualified in the area of health coverage, to offer an opinion, based on an actuarial sound methodology, regarding the required capital adequacy reserve that is needed for the HealthTrust pooled risk management program to meet the needs of the plan, in addition to any other required reserves. The policy further states that the Board of Directors shall rely upon the opinion of the qualified actuary using an actuarially sound methodology to determine the required capital adequacy reserve for HealthTrust to satisfy the needs of the plan.

The policy makes clear that the purpose of the capital adequacy reserve is to ensure that all obligations for the payment of claims and expenses can be met.

Consistent with this policy, HealthTrust engaged an independent consulting actuary, Milliman, to recommend a required capital adequacy reserve for HealthTrust as of June 30, 2016 and 2015, using a sound actuarial methodology. Milliman recommended that HealthTrust should target a required capital adequacy reserve of between $90 million to $140 million as of June 30, 2016 and $85 million to $130 million as of June 30, 2015. Milliman advised the HealthTrust Board that the lower end of the range is appropriate if HealthTrust has pricing flexibility and the upper range is appropriate if HealthTrust does not have pricing flexibility.

3. Net Position (Continued)

Prior to setting the capital adequacy reserve target as of June 30, 2015, HealthTrust retained the services of a second qualified consulting actuary, DeWeese Consulting, Inc. (DeWeese), to review Milliman's work. DeWeese was requested to independently determine whether Milliman's recommendation was based on a sound actuarial methodology and was reasonable.

Based on the Milliman recommendation and the independent confirmation by DeWeese, a second qualified actuary, that the Milliman recommendation was reasonable and used a sound actuarial methodology, the HealthTrust Board of Directors set HealthTrust's capital adequacy reserve target as of June 30, 2015 at $85 million, the lowest point in the range recommended by Milliman. Based on the Milliman recommendation, the HealthTrust Board of Directors set HealthTrust's capital adequacy reserve target as of June 30, 2016 at $90 million.

HealthTrust's invested in capital assets, used in operations, consists of the following at June 30, 2016 and 2015.

	2016	2015
Investment in property and equipment, net	$ 421,959	$ 132,670
Investment in CTP	6,461,888	7,419,136
	$ 6,883,847	$ 7,551,806

The net position for CTP which is invested in capital assets represents the amount of assets which have been invested in property and equipment, net of any depreciation.

4. Investments

During the years ended June 30, 2016 and 2015, HealthTrust realized net (losses) gains on sales of investments of $54,987 and $1,313,869, respectively. The calculation of the realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal 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 years.

The following presents the fair value of investments held that represent 5% or more of HealthTrust's total investments at June 30, 2016 and 2015.

	2016	2015
Vanguard Institutional Index Fund	$ 7,306,624	$ 7,181,659

Risks and Uncertainties

HealthTrust invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

4. <u>Investments</u> (Continued)

CTP maintains commercial insurance coverage for its buildings and improvements. Coverage limits are set at replacement values with customary levels of deductibles.

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. HealthTrust mitigates the risk that the market value of securities will fall due to changes in general interest rates by structuring the portfolio so securities mature to meet the cash requirements for ongoing operations, thus avoiding the need to sell securities on the open market prior to maturity. The matching of investments to expected cash is not applied to the required capital reserve, as consistent with the purpose of that reserve, it is needed to cover unexpected events at some unknown future date.

The estimated fair value of fixed-maturity securities by contractual maturity as of June 30, 2016 and 2015, are shown below. Government and other mortgage obligations backed by assets are included in the maturity bucket based on their contractual maturities. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2016				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
U.S. Treasuries	$ -	$ 3,388,493	$ 1,840,871	$ -	$ 5,229,364
U.S. Agencies	1,357	297,282	2,088,819	12,284,497	14,671,955
Commercial MBS	-	195,803	188,034	3,183,047	3,566,884
Corporate Bonds	768,470	6,638,048	7,411,914	1,725,440	16,543,872
Municipal Bonds	376,763	1,508,311	614,144	433,639	2,932,857
Asset Backed	-	3,949,209	1,076,687	-	5,025,896
Total	$ 1,146,590	$ 15,977,146	$ 13,220,469	$ 17,626,623	$ 47,970,828

4. Investments (Continued)

	June 30, 2015				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
U.S. Treasuries	$ 1,176,023	$ 3,710,502	$ 1,953,172	$ 73,365	$ 6,913,062
U.S. Agencies	-	473,687	965,049	10,013,636	11,452,372
Commercial MBS	-	-	-	3,231,119	3,231,119
Corporate Bonds	306,485	4,702,439	4,374,134	625,604	10,008,662
Municipal Bonds	459,179	1,965,229	474,846	529,623	3,428,877
Asset Backed	-	2,386,458	1,245,001	-	3,631,459
Total	$ 1,941,687	$ 13,238,315	$ 9,012,202	$ 14,473,347	$ 38,665,551

The duration of the fixed-maturity securities portfolio, as calculated by the investment managers, is 3.40 and 3.94 years at June 30, 2016 and 2015, respectively.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, HealthTrust will not be able to recover the value of its investments that are in the possession of the outside party. At June 30, 2016 and 2015, HealthTrust did not have any investments subject to custodial credit risk.

Credit Risk

HealthTrust's investment policy mitigates credit risk by limiting investments to investment grade securities and diversifying the portfolio. As of June 30, 2016, HealthTrust's fixed-maturity securities were rated as follows:

	U.S. Treasuries	U.S. Agencies	Corporate Bonds	Municipal Bonds	Commercial MBS	Asset Backed Securities	Total
Aaa	$ 5,229,364	$ 14,671,955	$ 2,786,805	$ 147,867	$ 3,566,884	$ 5,025,896	$ 31,428,771
Aa2	-	-	406,131	882,303	-	-	1,288,434
Aa3	-	-	631,323	517,650	-	-	1,148,973
A1	-	-	1,708,104	648,890	-	-	2,356,994
A2	-	-	1,773,362	202,672	-	-	1,976,034
A3	-	-	2,067,309	323,409	-	-	2,390,718
Baa1	-	-	2,986,448	134,013	-	-	3,120,461
Baa2	-	-	2,151,999	-	-	-	2,151,999
Baa3	-	-	2,032,391	76,053	-	-	2,108,444
	$ 5,229,364	$ 14,671,955	$ 16,543,872	$ 2,932,857	$ 3,566,884	$ 5,025,896	$ 47,970,828

** The credit rating agency used for this disclosure was Moody's.

4. Investments (Continued)

At times after purchase, the rating of a security may fall below investment grade and the security may be retained if the risk of default is deemed low by the Investment Manager and Investment Advisor.

The following tables present the level within the fair value hierarchy at which the Company's investments are measured on a recurring basis as of June 30, 2016 and 2015:

	June 30, 2016			
Fixed-maturity securities:	Level 1	Level 2	Level 3	Total
U.S. Treasuries	$ -	$ 5,229,364	$ -	$ 5,229,364
U.S. Agencies	-	14,671,955	-	14,671,955
Commercial MBS	-	3,566,884	-	3,566,884
Corporate Bonds	-	16,543,872	-	16,543,872
Municipal Bonds	-	2,932,857	-	2,932,857
Asset backed	-	5,025,896	-	5,025,896
Total fixed-maturity securities	$ -	$ 47,970,828	$ -	$ 47,970,828
Mutual funds:	Level 1	Level 2	Level 3	Total
Institutional index fund	$ 7,306,624	$ -	$ -	$ 7,306,624
Small cap index fund	1,494,000	-	-	1,494,000
Developed markets index fund	1,322,045	-	-	1,322,045
Total mutual funds	$ 10,122,669	$ -	$ -	$ 10,122,669

	June 30, 2015			
Fixed-maturity securities:	Level 1	Level 2	Level 3	Total
U.S. Treasuries	$ -	$ 6,913,062	$ -	$ 6,913,062
U.S. Agencies	-	11,452,372	-	11,452,372
Commercial MBS	-	3,231,119	-	3,231,119
Corporate Bonds	-	10,008,662	-	10,008,662
Municipal Bonds	-	3,428,877	-	3,428,877
Asset backed	-	3,631,459	-	3,631,459
Total fixed-maturity securities	$ -	$ 38,665,551	$ -	$ 38,665,551
Mutual funds:	Level 1	Level 2	Level 3	Total
Institutional index fund	$ 7,181,659	$ -	$ -	$ 7,181,659
Small cap index fund	1,569,226	-	-	1,569,226
Developed markets index fund	1,487,592	-	-	1,487,592
Total mutual funds	$ 10,238,477	$ -	$ -	$ 10,238,477

5. Investment in External Investment Pool

The investment in external investment pool represents HealthTrust's share of the New Hampshire Public Deposit Investment Pool (NHPDIP), which was reported at fair value at June 30, 2015. NHPDIP was established under State of New Hampshire Statute, RSA 383:24. The Bank Commissioner, in conjunction with its Advisory Committee, provides regulatory oversight of the investment pool's operations. HealthTrust sold its investment share in NHPDIP during the year ended June 30, 2016.

6. Premium Deficiency

In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. A premium deficiency can result when expected costs for coverage obligations as of the financial statement date exceed expected contributions (based on rates set prior to the financial statement date) for such coverage. HealthTrust recorded a premium deficiency reserve in the amount of $11,000,000 and $2,400,000 as of June 30, 2016 and 2015, respectively. Investment income was included as part of the calculation in determining if a premium deficiency existed. HealthTrust used the work of a consulting actuary to determine the premium deficiency reserve at June 30, 2016 and 2015.

7. Property and Equipment

The balances and activity of property and equipment of HealthTrust consists of the following for the years ended June 30, 2016 and 2015:

	Year ended June 30, 2016			
	Beginning Balance	Additions/ Reclassifications	Disposals	Ending Balance
Office equipment	$ 116,995	$ -	$ -	$ 116,995
Computer equipment	3,353,069	387,290	-	3,740,359
	3,470,064	387,290	-	3,857,354
Less accumulated depreciation	(3,337,394)	(98,001)	-	(3,435,395)
Total property and equipment, net	$ 132,670	$ 289,289	$ -	$ 421,959

	Year ended June 30, 2015			
	Beginning Balance	Additions/ Reclassifications	Disposals	Ending Balance
Office equipment	$ 116,995	$ -	$ -	$ 116,995
Computer equipment	3,353,069	-	-	3,353,069
	3,470,064	-	-	3,470,064
Less accumulated depreciation	(3,019,780)	(317,614)	-	(3,337,394)
Total property and equipment, net	$ 450,284	$ (317,614)	$ -	$ 132,670

7. Property and Equipment (Continued)

The balances and activity of property and equipment of CTP consists of the following for the years ended June 30, 2016 and 2015:

	Year ended June 30, 2016				
	Beginning Balance	Additions/ Reclassifications	Disposals	Impairment	Ending Balance
Land and land improvements	$ 2,272,989	$ -	$ (843,817)	$ (218,210)	$ 1,210,962
Buildings and building improvements	7,433,253	32,500	(3,267)	-	7,462,486
Equipment	530,739	18,654	(52,678)	-	496,715
Furniture and fixtures	431,397	-	-	-	431,397
	10,668,378	51,154	(899,762)	(218,210)	9,601,560
Less accumulated depreciation	(3,256,989)	(240,898)	55,945	-	(3,441,942)
Total property and equipment, net	$ 7,411,389	$ (189,744)	$ (843,817)	$ (218,210)	$ 6,159,618

	Year ended June 30, 2015			
	Beginning Balance	Additions/ Reclassifications	Disposals	Ending Balance
Land and land improvements	$ 2,272,989	$ -	$ -	$ 2,272,989
Buildings and building improvements	7,387,947	45,306	-	7,433,253
Equipment	530,739	-	-	530,739
Furniture and fixtures	431,397	-	-	431,397
	10,623,072	45,306	-	10,668,378
Less accumulated depreciation	(3,023,484)	(233,505)	-	(3,256,989)
Total property and equipment, net	$ 7,599,588	$ (188,199)	$ -	$ 7,411,389

7. Property and Equipment (Continued)

During the year ended June 30, 2016, CTP sold a subdivided parcel of land adjacent to the office building for $800,000 for a loss of $49,817. A portion of the net proceeds were used to fund operating and capital requirements, with the balance being remitted to CTP stockholders in proportion to their ownership as a shareholder distribution. For HealthTrust, the shareholder distribution received amounted to $515,172 in the fiscal year ended June 30, 2016.

During the year ended June 30, 2016, CTP recorded an impairment loss on the remaining land held of $218,210. CTP utilized the results of an independent land appraiser in determining the amount of the impairment. No impairment losses were recorded during the year ended June 30, 2015.

8. Claims Reserves

As discussed in Note 1, HealthTrust establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of losses and related claim adjustment credits. The following represents changes in the aggregate undiscounted claims reserves for HealthTrust during the years ended June 30, 2016 and 2015.

	2016	2015
Claims reserves at beginning of year	$ 20,129,761	$ 18,583,891
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year	379,998,297	366,067,362
Adjustments to provision for covered events of prior years	(37,686)	(2,046,652)
Total incurred claims and claim adjustment expenses	379,960,611	364,020,710
Payments of claims and claim adjustment expenses:		
Payments attributable to covered events of current year	(359,149,320)	(345,651,555)
Payments attributable to covered events of prior years	(20,010,920)	(16,823,285)
Total payments	(379,160,240)	(362,474,840)
Total claims reserves at end of year	$ 20,930,132	$ 20,129,761

Incurred claims and claim adjustment expenses included in claims payable in the statements of financial position as of June 30, 2016 and 2015 are considered to have been paid for purpose of the claims reserves reconciliation as of and for the year ended June 30, 2016 and 2015.

9. Transactions With Other Entities

HealthTrust leases office space from CTP. Rent expense under this arrangement was $352,597 and $371,942 for the years ended June 30, 2016 and 2015, respectively, to cover its share of CTP's operating expenses based on HealthTrust's proportional usage of the building. CTP has included those amounts as operating revenues in the same year.

The current lease with CTP for office space is effective through June 30, 2017. Expected future minimum lease payments through June 30, 2017 under this agreement are $342,990.

HealthTrust receives administrative and other business support services income from CTP, PLT and NHMA per service agreements ratified by each entity's governing board. Per its agreement with PLT, HealthTrust also paid for Director of Risk Pool Operations Services. Under those agreements, HealthTrust received $334,085 and $513,110 of service income and paid $104,588 and $81,248 for support services for the years ended June 30, 2016 and 2015. While PLT and NHMA are not technically related parties to HealthTrust, Inc., transactions with those entities are reported here due to the historical relationship that previously existed between the parties.

10. Self Funded Plus Option

HealthTrust currently provides a Self-Funding Plus (SFP) option to one participating risk pool group. SFP is a financial arrangement for Member groups of 100 or more eligible employees and retirees that provides Members with more direct financial responsibility for the medical claims of employees, their dependents and retirees. This arrangement allows the Member group to assume responsibility for the payment of claims incurred by its covered employees, retirees and dependents (subject to various levels of stop-loss coverage protection). In addition to their claims liability, Member groups that participate pay a fee to HealthTrust to cover the administrative and other costs associated with this program. The net activity from the program is recorded as part of operating revenues in the statements of revenues, expenses, and changes in net position.

11. Life Insurance and Long Term Disability Programs

HealthTrust provides access to life insurance and long term disability coverage to its risk pool groups provided by other insurance companies. HealthTrust pays the premiums to the insurance provider on behalf of the participating Member groups, which are then reimbursed to HealthTrust by the participating Member groups. During the years ended June 30, 2016 and 2015, HealthTrust paid $1,660,213 and $1,603,660, respectively, in premiums for life insurance and long term disability coverage.

12. Exemption from Statutory Accounting Practices

HealthTrust and its risk pool were established for the benefit of the political subdivisions of the State of New Hampshire. As such, HealthTrust is not considered an insurer under the laws of the State, and administration of the activities of HealthTrust do not constitute conducting an insurance business for purposes of regulation or taxation. At June 30, 2016 and 2015, Statements of Statutory Accounting Practices as promulgated by the National Association of Insurance Commissioners are not applicable to HealthTrust.

13. Defined Benefit Pension Plan

A. Plan Description

The HealthTrust/PLT/NHMA Pension Plan ("HealthTrust/PLT/NHMA PP" or "Plan") is a cost sharing multiple employer plan. The Boards of Directors of the participating employers in the Plan, HealthTrust, PLT, and NHMA, collectively retain the authority to establish, amend or terminate the Plan and its provisions at any time subject to any legal limitations. The Boards of Directors also established a Retirement Committee to administer the Plan. The Retirement Committee serves as the Plan administrator to the Plan and has discretionary authority to interpret the terms of the Plan and its decisions regarding administration, interpretation, and application. All active, nontemporary employees of HealthTrust, PLT, and NHMA are required to participate in the Plan as a condition of employment. The Plan provides a monthly benefit when a Plan participant retires or leaves after qualifying for benefits. The Plan does not issue a standalone financial report.

On June 25, 2012, GASB voted to approve Statement No. 68, "Accounting and Financial Reporting for Pensions", which revises and establishes new financial reporting requirements for most governmental organizations that provide their employees with pension benefits. GASB Statement No. 68 will be effective for fiscal years beginning after June 15, 2014, with earlier application encouraged. GASB Statement No. 68 requires governments providing defined pension benefits to recognize their long term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

HealthTrust adopted GASB Statement No. 68 on July 1, 2014 resulting in a cumulative effect of change in accounting principle adjustment reducing net position by $384,521. The cumulative effect adjustment represents the impact of adopting GASB Statement No. 68 on HealthTrust's net position as of July 1, 2014 and is comprised of HealthTrust's proportionate share of the net pension liability based upon the December 31, 2013 valuation report of $560,521 adjusted for deferred outflows of resources totaling $176,000 associated with contributions paid to the plan between the December 31, 2013 valuation date and the July 1, 2014 effective date.

On February 19, 2016, the Retirement Committee determined that partial termination of the Plan occurred when the PLT Board voted to commence runoff on April 14, 2015. The partial termination triggered a clause in the Plan granting all PLT employees, regardless of service, who terminate employment on or after April 14, 2015, 100% vested status, eligible for pension benefits as provided in the Plan. Pursuant to the terms of the Plan, PLT must give 90-days advanced notice to the Retirement Committee before ceasing to make contributions and effectively withdrawing from the Plan. An employer may only withdraw as of the Plan’s year-end, resulting in a withdrawal liability as calculated by the Plan’s actuary. The withdrawing employer must pay the withdrawal liability in one lump sum within 60-days of being notified of the withdrawal liability by the Retirement Committee. On June 3, 2016, PLT gave notice of its intent to withdrawal from the Plan.

13. <u>Defined Benefit Pension Plan</u> (Continued)

B. Contributions

The contribution requirements of the participating employers under the Plan are established and may be amended by the Retirement Committee based on the annual actuarial valuation of the Plan. The contribution requirements of the participating employees is established in the Plan and could be changed only with an amendment to the Plan. A participant's benefit is determined under a formula that multiplies the participant's final average earnings by her/his credited service. The formula is 1.50% of the final average earnings for each year of credited services not to exceed 50% of the participant's average salary. Final average earnings is defined as the average of the highest three years of the last ten years base salary prior to retirement or termination. If a participant chooses early retirement, the benefit will be reduced by 0.25% for each month prior to the normal retirement date. If a participant remains employed after age 65, benefits will continue to accrue without any actuarial adjustment for late retirement.

Participants contribute 5% of their base earnings to the Plan. The employers shall contribute to the Plan an amount determined by the Retirement Committee. For the 2016, 2015 and 2014 plan years the employers contributed 7.27%, 7.54% and 8.14%, respectively, of each participant's earnings to the Plan. A summary of employer and employee contributions to the Plan for the plan years ended December 31, 2015 and 2014 is as follows:

Plan year ended December 31	Annual required contributions	Employer contributions	Employee contributions	Percentage contributed
2015	$ 454,483	$ 454,483	$ 301,737	100%
2014	$ 498,632	$ 498,632	$ 306,285	100%

C. Summary Plan Financial Information

Investments are reported at fair value based upon quoted market prices. A schedule of plan net position as of the plan years ended December 31, 2015 and 2014 is presented below:

	2015	2014
Cash and cash equivalents, and receivables	$ 1,015,596	$ 323,195
Receivables	15,988	19,704
Investments, at fair value:		
Equities	6,509,465	6,878,975
Corporate bonds	1,616,238	1,798,550
US Government bonds	1,458,649	1,611,938
Other	(2,171)	(13,514)
Net position available for pension benefits	$ 10,613,765	$ 10,618,848

See Note 1 for a description of the investments fair value hierarchy. As of December 31, 2015 and 2014, all equities held by the Plan are deemed to be Level 1 and all corporate and US Government bonds held by the Plan are deemed to be Level 2 within the fair value hierarchy.

13. Defined Benefit Pension Plan (Continued)

A schedule of changes in net pension liability and relative funding progress of the plan for the plan years ended December 31, 2015 and 2014 is presented below:

	2015	2014
Service cost	$ 668,961	$ 675,963
Interest on the total pension liability	768,413	712,427
Benefit changes	7,839	-
Difference between expected and actual experience	(350,999)	(200,126)
Benefit payments	(214,938)	(222,670)
Refunds of employee contributions	(53,473)	(155,816)
Net change in total pension liability	825,803	809,778
Total pension liability - Beginning	11,621,460	10,811,682
Total pension liability - Ending (a)	$ 12,447,263	$ 11,621,460
Employer contributions	$ 454,483	$ 498,632
Employee contributions	301,737	306,285
Pension plan net investment (loss) income	(395,735)	207,796
Benefit payments to participants	(214,938)	(222,670)
Refunds of employee contributions	(53,473)	(155,816)
Pension plan administrative expense	(96,473)	(49,587)
Other	(684)	-
Net charge in plan fiduciary net position	(5,083)	584,640
Plan fiduciary net position - Beginning	10,618,848	10,034,208
Plan fiduciary net position - Ending (b)	$ 10,613,765	$ 10,618,848
Net pension liability - Ending (a) - (b)	$ 1,833,498	$ 1,002,612
Plan fiduciary net position as a percentage of total pension liability	85.27 %	91.37 %
Covered payroll	$ 6,034,740	$ 5,991,480
Net pension liability as a percentage of covered payroll	30.38 %	16.73 %

13. Defined Benefit Pension Plan (Continued)

A schedule of total pension expenses for the plan years ended December 31, 2015 and 2014 is presented below:

	2015	2014
Service cost	$ 668,961	$ 675,963
Interest on the total pension liability	768,412	712,427
Current-year benefit changes	7,839	-
Employee contributions	(301,737)	(306,285)
Projected earnings on Plan investments	(706,057)	(664,471)
Plan administrative expenses	96,473	49,587
Other changes in Plan fiduciary net position	684	-
Recognition of outflow (inflow) of resources due to liabilities	(74,773)	(27,152)
Recognition of outflow (inflow) of resources due to assets	330,988	91,335
Total pension expenses	$ 790,790	$ 531,404

An actuary was engaged to perform the annual actuarial valuation report as of December 31, 2015 and 2014. The information included in the schedule of changes in net pension liability and relative funding progress of the plan from the December 31, 2015 and 2014 actuarial valuations was prepared using the entry age cost method. The purpose of providing the above schedule is to provide information that serves as a surrogate for the funded status and funding progress of the plan. The December 31, 2015 actuarial valuation was prepared assuming that all PLT employees employed as of the valuation date were 100% vested, except for one non-vested employee that terminated after the partial plan termination and before the valuation date.

13. Defined Benefit Pension Plan (Continued)

D. Actuarial Assumptions

Additional information as of the valuations at December 31, 2015 and 2014 is as follows:

	2015	2014
Actual cost method	Entry age normal cost method	Entry age normal cost method
Asset valuation method	4-year smoothed market	4-year smoothed market
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Equivalent single amortization period	16 Years	17 Years
Actuarial assumptions		
Investment rate of return	6.5%	6.5%
Inflation rate	2.5%	2.5%
Projected salary increases	4.0%	4.0%
Cost-of-living adjustments	None	None
Mortality assumptions	Utilized RP-2000 combined healthy mortality table projected to 2020 for males and females using scale AA	Utilized RP-2000 combined healthy mortality table projected to 2020 for males and females using scale AA
Section 417(e) interest rate	Option factors are currently based on the IRC Section 417(e) applicable mortality and interest. The actuaries have estimated that this basis creates an implicit subsidy, since it differs from the valuation assumptions. The actuaries have increased liabilities and normal cost by a 2% liability adjustment to account for this subsidy.	Option factors are currently based on the IRC Section 417(e) applicable mortality and interest. The actuaries have estimated that this basis creates an implicit subsidy, since it differs from the valuation assumptions. The actuaries have increased liabilities and normal cost by a 2% liability adjustment to account for this subsidy.

13. Defined Benefit Pension Plan (Continued)

E. Discount Rate

The discount rate used to measure total pension liability was 6.50%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocations as of December 31, 2015, these best estimates are summarized in the following table:

Asset class	Target allocation %	Long-term expected real rate of return %	Allocation-weighted long-term expected real rate of return %
Domestic fixed income	38 %	2.2 %	0.8 %
Domestic equity	55 %	6.0 %	3.3 %
International equity	5 %	6.3 %	0.3 %
Cash	2 %	1.2 %	- %
Total	100 %		4.4 %
Expected inflation			3.0 %
Total return			**7.4 %**

13. Defined Benefit Pension Plan (Continued)

F. Discount Rate Sensitivity Analysis

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 6.5%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

HealthTrust's proportionate share of the net pension liability at:	1% Decrease in discount rate (5.5%)	Current Single Discount Rate (6.5%)	1% increase in discount rate (7.5%)
June 30, 2016	$ 2,604,984	$ 1,350,994	$ 296,906

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, HealthTrust reported a liability of $1,350,995 and $722,805, respectively, and a pension expense of $582,686 and $383,101, respectively, for its proportionate share of the Plan's net pension liability. A summary of the proportionate share and total net pension liability and pension expense, is as follows:

	June 30, 2016		June 30, 2015	
	Net pension liability	Pension expense	Net pension liability	Pension expense
HealthTrust's proportionate share	$ 1,350,995	$ 582,685	$ 722,805	$ 383,101
PLT's proportionate share	252,409	108,865	161,572	85,636
NHMA's proportionate share	230,094	99,240	118,235	62,667
	$ 1,833,498	$ 790,790	$ 1,002,612	$ 531,404

The net pension liability was measured as of December 31, 2015 and 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period from January 1, 2015 through December 31, 2015.

At December 31, 2015 and 2014, HealthTrust's proportion of the collective net pension liability and pension expense was 73.684% and 72.092%, respectively.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

13. Defined Benefit Pension Plan (Continued)

For the years ended June 30, 2016 and 2015, HealthTrust reported its proportionate share of the Plan's deferred outflows of resources related to pensions from the following sources:

	June 30, 2016		June 30, 2015	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected & actual economic experience	$ -	$ (330,990)	$ -	$ (124,701)
Difference between projected and actual earnings on investments	908,243	-	263,381	-
Changes in proportion and differences between employer contributions and share of contributions	11,148	-	-	-
Contributions paid to Pension Plan subsequent to the measurement date	157,559	-	168,846	-
Total	$ 1,076,950	$ (330,990)	$ 432,227	$ (124,701)

The net amounts of HealthTrust's balances of deferred outflows and inflows of resources as of June 30, 2016 related to pensions will be recognized as pension expense as follows:

For the years ended June 30:	Pension expense amount
2016	$ 347,450
2017	190,539
2018	190,539
2019	123,240
2020	(53,346)
Thereafter	(52,462)
Total	$ 745,960

14. Capitalized Leases

HealthTrust has entered into lease agreements as lessee for financing the acquisition of equipment. The lease qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future lease payments. The future minimum lease payments and the net present value of those payments at June 30, 2016, are expressed as follows:

Payable June 30:	Minimum Lease Payments
2017	$ 102,648
2018	102,648
2019	102,648
2020	94,095
Total minimum lease payments	402,039
Less: interest	(28,972)
Total capital lease liability	$ 373,067

The assets acquired through capital leases and included in capital assets as of June 30, 2016 included the following:

Equipment	$ 380,419
Total	380,419
Less accumulated depreciation	(7,925)
Net	$ 372,494

15. Subsequent Events and Litigation Update

In 2014, eight political subdivisions (Intervenors) intervened in an administrative proceeding brought by the New Hampshire Department of State, the entity that regulates public risk pools (Regulator). In July 2014, HealthTrust and the Regulator entered into a consent decree that resolved the allegations in the underlying administrative matter. However, the Intervenors claimed that they were entitled to share, as former HealthTrust members, in a portion of HealthTrust's pending distribution of $17.1 million of surplus to its then current members. The Intervenors' aggregate claim totaled $278,578. The Hearing Officer denied the Intervenors' motion to participate as former members in that distribution and then, in September 2014, HealthTrust distributed the $17.1 million to its then current members.

15. Subsequent Events and Litigation Update (Continued)

In November 2014, the Intervenors appealed the Hearing Officer's denial of their motion to the New Hampshire Supreme Court. On February 18, 2016, the Supreme Court issued its decision which held that the Hearing Officer committed an error of law to the extent he denied the Intervenors' motion because he thought he did not have the authority to award a distribution to former members. In its decision, the Court clarified that the Hearing Officer may order a return to a former member as a penalty, such as through restitution, and remanded the matter back to the Hearing Officer.

During the remand, the Regulator asked the Hearing Officer to order HealthTrust to pay $2.3 million as restitution to 74 political subdivisions (including the eight intervenors). The Regulator alleges that the 74 political subdivisions were former members that did not participate in the distribution of the $17.1 million or were then current members that received smaller distributions than the amount to which they were entitled. On October 7, 2016, after a hearing on the Intervenors' and Regulator's claims, the Hearing Officer issued an order requiring that HealthTrust pay the full $2.3 million. In response to the Hearing Officer's order, on November 6, 2016, HealthTrust filed a motion for reconsideration and a motion for stay which were denied. HealthTrust intends to file a notice of appeal and a motion for stay in the New Hampshire Supreme Court in regards to the Hearing Officer's order.

16. Contingencies

HealthTrust assesses potential liabilities in connection with lawsuits and threatened lawsuits under U.S. generally accepted accounting principles. HealthTrust accrues an estimated loss for loss contingencies if both of the following conditions are met: (1) information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements; and (2) the amount of loss can be reasonably estimated. As of June 30, 2016, HealthTrust has accrued a contingent liability in the amount of $2.3 million for the aforementioned litigation.

REQUIRED SUPPLEMENTARY INFORMATION

HealthTrust, Inc.

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

For the year ended June 30, 2016

The schedule below presents the changes in claims liabilities for HealthTrust's three types of contracts: employee health, dental benefits, and short term disability for the year ended June 30, 2016.

	Health	Dental	Short-Term Disability	Total
Claims and administration reserves at beginning of fiscal year	$ 18,874,908	$ 1,055,919	$ 198,934	$ 20,129,761
Incurred claims and claim adjustment expenses				
Provision for covered events of current year	356,146,391	23,129,260	722,647	379,998,298
Adjustments to provision for covered events of prior years	103,729	(174,911)	33,495	(37,687)
Total incurred claims and claim adjustment expenses	356,250,120	22,954,349	756,142	379,960,611
Payments of claims and claim adjustment expenses				
Payments attributable to covered events of current year	(336,562,855)	(22,015,053)	(571,412)	(359,149,320)
Payments attributable to covered events of prior years	(18,899,816)	(878,675)	(232,429)	(20,010,920)
Total payments	(355,462,671)	(22,893,728)	(803,841)	(379,160,240)
Total claims and administration reserves at end of fiscal year	$ 19,662,357	$ 1,116,540	$ 151,235	$ 20,930,132

HealthTrust, Inc.

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

For the Year Ended June 30, 2015

The schedule below presents the changes in claims liabilities for HealthTrust's three types of contracts: employee health, dental benefits, and short term disability for the year ended June 30, 2015.

	Health	Dental	Short-Term Disability	Total
Claims and administration reserves at beginning of fiscal year	$ 17,402,114	$ 989,002	$ 192,775	$ 18,583,891
Incurred claims and claim adjustment expenses				
Provision for covered events of current year	342,091,080	23,033,718	942,564	366,067,362
Adjustments to provision for covered events of prior years	(1,730,967)	(262,621)	(53,064)	(2,046,652)
Total incurred claims and claim adjustment expenses	340,360,113	22,771,097	889,500	364,020,710
Payments of claims and claim adjustment expenses				
Payments attributable to covered events of current year	(322,910,342)	(21,997,584)	(743,629)	(345,651,555)
Payments attributable to covered events of prior years	(15,976,978)	(706,596)	(139,711)	(16,823,285)
Total payments	(338,887,320)	(22,704,180)	(883,340)	(362,474,840)
Total claims and administration reserves at end of fiscal year	$ 18,874,907	$ 1,055,919	$ 198,935	$ 20,129,761

HealthTrust, Inc.

Ten-Year Claims Development Information (Unaudited)

For the year ended June 30, 2016

(000's omitted)

The following claims development information includes health, dental and short-term disability contracts. The table illustrates how HealthTrust's earned revenue (net of reinsurance) and investment income compare to related costs of claims and claim adjustment expenses (net of loss assumed by reinsurers) and other expenses assumed by HealthTrust subsequent to the September 1, 2013 transfer of operations and for the fiscal periods ended June 30, 2016, 2015 and 2014. The rows of the table are defined as follows:

1. The total of each fiscal period's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. Operating costs of HealthTrust including overhead and claims expense not allocable to individual claims for each fiscal period.
3. HealthTrust's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of each fiscal period in which the event that triggered coverage under the contract occurred (called *policy year*).
4. This section shows the net amounts paid as of the end of each fiscal period and annually thereafter.
5. The latest re-estimated amount of claims assumed by reinsurers as of the end of each fiscal period and annually thereafter.
6. This section of rows shows how the policy year's net incurred claims increased or decreased as of the end of each fiscal period and annually thereafter. This re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. Comparison of the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less matured policy years.

HealthTrust, Inc.

Ten-Year Claims Development Information (Unaudited) (Continued)

For the fiscal periods ended June 30,

(000's omitted)

	2016	2015	2014
1) Required contribution and investment revenue			
Earned	403,221	408,035	359,834
Ceded	-	-	569
Net earned	403,221	408,035	359,265
2) Unallocated expenses	32,248	33,307	27,489
3) Estimated claims and expenses, end of policy year incurred	379,998	366,067	301,332
Ceded claims	-	-	-
Net incurred	379,998	366,067	301,332
4) Net paid (cumulative) as of			
End of policy year	359,149	345,652	280,187
One year later	-	365,747	297,010
Two years later	-	-	296,926
5) Reestimated ceded claims and expenses,			
End of policy year	-	-	-
One year later	-	-	-
6) Reestimated net incurred claims and expenses			
End of policy year	379,998	366,067	299,126
One year later	-	365,778	296,870
Two year later	-	-	296,976
7) Decrease in estimated net incurred claims and expenses from end of policy year	-	289	2,150

HealthTrust, Inc.

Ten-Year Schedule of Employer Pension Information (Unaudited)

The following unaudited schedule presents HealthTrust's proportionate share of the Plan's net pension liability and related ratios for multiple years.

Plan years ended December 31,	% Proportionate share of the collective net pension liability	Proportionate share of the collective net pension liability	Covered payroll	Proportionate share of the collective net pension liability as a % of covered payroll	Plan's fiduciary net position as a % of total pension liability
2013	72.092%	$ 560,521	$ 4,282,901	13.09%	92.81%
2014	72.092%	$ 722,805	$ 4,416,140	16.37%	91.37%
2015	73.684%	$ 1,350,994	$ 4,446,638	30.38%	85.27%

The following unaudited schedule presents HealthTrust's employer contributions to the Plan and related ratios for multiple years.

Plan years ended December 31,	Actuarially determined contribution	Actual contribution	Contribution deficiency (excess)	Covered payroll	Actual contribution as a % of covered payroll
2013	$ 354,210	$ 354,210	-	$ 4,282,901	8.27%
2014	$ 359,474	$ 359,474	-	$ 4,416,140	8.14%
2015	$ 334,881	$ 334,881	-	$ 4,446,638	7.54%

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
HealthTrust, Inc.

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 of America, the financial statements of HealthTrust, Inc. (HealthTrust), which comprise the statement of net position as of June 30, 2016 and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HealthTrust'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 HealthTrust's internal control. Accordingly, we do not express an opinion on the effectiveness of HealthTrust'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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify a deficiency in internal control, findings 2016-01, described in the accompanying Schedule of Findings and Responses, that we consider to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether HealthTrust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

Management's Response to Findings
HeatlhTrust's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. HealthTrust's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 HealthTrust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HealthTrust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson Lambert LLP

Burlington, Vermont
November 16, 2016

HealthTrust, Inc.

Schedule of Findings and Responses

June 30, 2016

Finding Number:	2016-01
Criteria:	Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America as applied to governmental entities (GASB GAAP), including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements.
Condition:	The estimate of loss reserves as prepared by the Company's independent consulting actuary (actuary) requires complete and accurate historical claims information as a primary input to the loss reserve estimate. The Company did not have a control in place to reconcile the loss data (claim triangles) utilized by the actuary to the loss data captured within the Company's financial statements. In addition, the Company's control to reconcile recorded paid losses to the claims triangles did not operate effectively as significant differences were not identified prior to providing the claims triangles for audit.
Cause and Effect:	The impact of not reconciling the recorded paid losses to the claims triangles and the loss data used by the actuary is that the actuary may not utilize accurate claims information in the Company's loss reserve estimate. While no audit adjustments were required during the year ended June 30, 2016, such discrepancies could result in an audit adjustment in future periods.
Recommendation:	We recommend that the Company implement a procedure to reconcile the recorded paid losses to the claim triangles periodically during the year. We further recommend that the Company agree the claims data utilized by the actuary to the paid losses recorded by the Company. The Company should also consult with its Third Party Administrators (TPA's) to ensure consistent reporting parameters are used by the TPA's in providing claim triangles and further consider what safeguards can be put in place by the TPA to ensure the claim triangles are run in a consistent manner in future periods.