RETIREE HEALTH TRUST

JUNE 30, 2011 AND 2010

RETIREE HEALTH TRUST
JUNE 30, 2011 AND 2010

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KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Retiree Health Trust

We have audited the accompanying statements of net assets available for plan benefits and of benefit obligations of the Retiree Health Trust (the "Trust") as of June 30, 2011 and 2010, and the related statements of changes in net assets available for plan benefits and of changes in benefit obligations for the years then ended. The financial statements are the responsibility of the Trust's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Retiree Health Trust as of June 30, 2011 and 2010, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules for the years ended June 30, 2011 and 2010, listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Trust's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Kafoury, Armstrong + Co.

Reno, Nevada
December 5, 2011

RETIREE HEALTH TRUST

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
AS OF JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
INVESTMENTS, at fair value	$ 32,990,365	$ 18,621,698
RECEIVABLES:		
Related party	-	1,122
Contribution receivables	232,296	232,245
	232,296	233,367
CASH AND CASH EQUIVALENTS	1,407,702	4,315,260
OTHER ASSETS	33,755	32,469
PREPAID EXPENSES	15,274	19,043
Total assets	34,679,392	23,221,837
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable for administrative expenses	13,064	66,375
Due to related party	635	590
Deferred insurance contribution	62,970	44,080
Total liabilities	76,669	111,045
TOTAL NET ASSETS AVAILABLE FOR PLAN BENEFITS	$ 34,602,723	$ 23,110,792

See accompanying notes.

RETIREE HEALTH TRUST

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS:		
Contributions		
Clark County School District	$ 4,182,050	$ 4,189,129
Active employees	6,533,542	6,560,719
Retirees	635,689	419,084
CCEA governance	1,026	1,026
	11,352,307	11,169,958
Investment income		
Net appreciation in fair value of investments	637,870	320,377
Interest and dividends	792,695	374,673
	1,430,565	695,050
Less: Investment manager fees	49,492	37,735
	1,381,073	657,315
Early Retiree Reinsurance Program	3,785	-
Other income	9,091	1,704
Total additions	12,746,256	11,828,977
REDUCTIONS:		
Insurance premiums	294,411	301,875
Benefits paid for participants		
Medical	362,862	109,378
Prescription drugs	137,909	36,652
Dental	52,758	27,653
Vision	9,175	3,305
	562,704	176,988
Administrative expenses	397,210	183,420
Total deductions	1,254,325	662,283
NET INCREASE	11,491,931	11,166,694
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	23,110,792	11,944,098
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	$ 34,602,723	$ 23,110,792

See accompanying notes.

RETIREE HEALTH TRUST

STATEMENTS OF BENEFIT OBLIGATIONS
AS OF JUNE 30, 2011 AND 2010

	2011	2010
AMOUNTS CURRENTLY PAYABLE TO OR FOR PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS:		
Insurance premiums	$ 458	$ 1,303
Prescription drugs	1,139	635
Total currently payable	1,597	1,938
OTHER CURRENT BENEFIT COVERAGE OBLIGATIONS:		
Claims incurred but not reported, at present value of estimated amounts	-	-
Total obligations other than postretirement benefit obligations	1,597	1,938
POSTRETIREMENT BENEFIT OBLIGATIONS:		
Retirees	2,001,000	279,000
Other plan participants fully eligible for benefits	48,372,000	37,981,000
Plan participants not yet fully eligible for benefits	123,361,000	92,540,000
Total postretirment benefit obligations	173,734,000	130,800,000
TOTAL BENEFIT OBLIGATIONS	$ 173,735,597	$ 130,801,938

See accompanying notes.

RETIREE HEALTH TRUST

STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
AMOUNTS CURRENTLY PAYABLE TO OR FOR PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS:		
Balance at beginning of year	$ 1,938	$ 799
Claims reported and approved for payment	856,774	480,002
Claims paid	(857,115)	(478,863)
Balance at end of year	1,597	1,938
OTHER OBLIGATIONS FOR CURRENT BENEFIT COVERAGE, at estimated amounts:		
Balance at beginning of year	-	-
Net change during year	-	-
Balance at end of year	-	-
TOTAL OBLIGATIONS OTHER THAN POSTRETIREMENT BENEFIT OBLIGATIONS	1,597	1,938
POSTRETIREMENT BENEFIT OBLIGATIONS:		
Balance at beginning year	130,800,000	114,275,000
Interest	7,028,000	6,158,000
Benefits paid	(221,000)	(60,000)
Actuarial (gains)/losses	26,249,000	1,505,000
Normal cost	9,878,000	8,922,000
Balance at end of year	173,734,000	130,800,000
TOTAL BENEFIT OBLIGATIONS, END OF YEAR	$ 173,735,597	$ 130,801,938

See accompanying notes.

NOTE 1 – DESCRIPTION OF THE TRUST

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

General - The Agreement and Declaration of Trust by the Clark County Education Association (CCEA) was made on August 11, 2008. CCEA entered into a Collective Bargaining Agreement (CBA) with the Clark County School District (CCSD) providing for the creation of a retiree health and welfare plan for the employees covered by the CBA. The Trust was established to provide health benefits to the retired employees and their dependents. The Trust has elected to follow, but is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Eligibility – All employees who retire from active employment with CCSD on or after January 1, 2009, and have attained the age of 52 with five years of service as a licensed employee are eligible to participate. Employees must be eligible for Public Employees' Retirement System (PERS) pension benefits and have been enrolled in the Teachers Health Trust (THT) plan for a minimum of five consecutive years immediately prior to retirement from CCSD.

Benefits - The Trust provides medical, prescription drug, dental, vision, wellness, and life insurance to eligible participants. All benefits are self-insured by the Trust, other than life insurance which is covered through insurance contracts. Participants become eligible for coverage on the first day of the month following their retirement date and resulting termination of their active plan coverage.

Contributions - Effective July 1, 2008, CCSD contributes $12.76 per month for each licensed employee pursuant to the current collective bargaining agreement and an annual contribution of $1,400,000. Effective September 2008, each licensed employee is required to contribute, through payroll withholding, $15.00 per pay period. Trust participants (retirees) share in the costs of the Trust through required monthly contributions that are based on the retirees' years of service at retirement and their date of retirement. Retirees that have a date of retirement prior to January 1, 2009 are required to contribute the entire monthly premium approximating $1,300. Retirees that have a date of retirement on or after January 1, 2009 are required to contribute a percentage of the $1,169 monthly premium as follows:

Years of Service	Retiree Contribution % of $1,169 premium
< 10	100%
10-19	70%
20-25	55%
26-29	45%
30+	32%

NOTE 1 – DESCRIPTION OF THE TRUST (continued)

The retirees are responsible for 100% of the monthly premium for their dependents. Upon eligibility of Medicare, the Trust offers a supplemental benefit with a required monthly contribution of the entire premium ranging from $156 to $196.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Trust maintains its records on the accrual basis of accounting. Revenue is recognized when earned, and administrative expenses are recognized when incurred.

Investment Valuation and Income Recognition – The Trust's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date and interest income on the accrual method. Net appreciation includes the Trust's gains and losses on investments bought and sold, as well as held during the year. The Trust has contracted with an investment manager and investment custodian to manage the Trust's investment assets. For further information regarding fair value measurements of the Trust's investments, see Note 4.

Cash Equivalents - The Trust considers all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates used by the Trust include the total benefit obligation and changes therein, claims incurred but not reported, and claims payable. Actual results could differ from these estimates.

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

Other Assets – Other assets consists primarily of security deposits and prepaid insurance.

Benefits and Insurance Premiums – Benefits and insurance premiums are recorded when paid.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims Payable and Estimated Claims Incurred but Not Reported - Trust obligations at June 30, 2011 and 2010, for health claims payable and claims incurred by participants but not reported at that date, are estimated by the Trust's actuary in accordance with accepted actuarial principles.

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

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

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits was assumed of 9% medical, 5% dental, 3.5% vision and 3% administrative expenses; the rates were assumed to remain at that level for all but medical, which was assumed to decrease gradually to 5% by 2019 and remain at that level thereafter.

The following were other significant assumptions used in the June 30, 2011 and 2010 valuation:

Discount Rate:	5% compounded annually
Mortality:	RP-2000 Table for males and females projected to 2011 and 2010 for June 30, 2011 and 2010, respectively.
Actuarial Cost Method:	Projected unit credit
Retiree Contributions:	Same level as current Trust provisions for the next four years and increased thereafter based on health care trend rates
Administrative Expenses:	$744 per participant per year

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - Based on a determination received from the Internal Revenue Service ("IRS") the Trust is exempt from federal income tax based upon Section 501 (c)(9) of the Internal Revenue Code ("IRC"). Accordingly, the Trust's net investment income is exempt from income taxes. The Trust has obtained a favorable tax determination letter, dated July 30, 2009, from the IRS, and management of the Trust believes it continues to qualify and to operate in accordance with applicable provisions of the IRC.

Accounting principles generally accepted in the United State of America require trust management to evaluate tax positions taken by the Trust and recognize a tax liability (or asset) if the Trust has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Trust administrator has analyzed the tax positions taken by the Trust, and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Trust is subject to routine audits by the IRS; however, there are currently no income tax audits for any tax periods in progress.

Subsequent Events – Management has evaluated subsequent events through December 5, 2011, which is the date these financial statements were available to be issued and the financial statements have not been updated for subsequent events occurring after that date.

NOTE 3 – INVESTMENTS

The Trust retains an investment consultant and manager to manage the Trust investments according to the investment policies established by the Board of Trustees. Investments consist of the following at June 30:

	2011	2010
Mutual funds – equity	$ 7,000,692	$ 3,259,530
U.S. Treasury note	160,598	158,438
U.S. Government bonds	666,910	379,246
Municipal bonds	3,940,366	4,327,512
Corporate bonds	1,744,460	1,380,188
Certificate of deposit	19,403,241	9,099,467
Money market account	74,098	17,317
	$ 32,990,365	$ 18,621,698

NOTE 3 – INVESTMENTS (continued)

The fair value of individual investments that represent 5% or more of the Trust's net assets are as follows:

Certificate of Deposit:		
Bank of Nevada	$ 19,403,241	$ 9,099,467

During 2011 and 2010, the Trust's investments (including investments bought, sold and held during the year) appreciated by $637,870 and $320,377, respectively, as follows:

	Year ended June 30,	
	2011	2010
Net appreciation (depreciation) in fair value of investments:		
Mutual funds	$ 669,324	$ (79,834)
U.S. Treasury note	116	12,322
U.S. Government bonds	5,289	16,957
Municipal bonds	(33,626)	279,541
Corporate bonds	(3,233)	91,391
	$ 637,870	$ 320,377

NOTE 4 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB), *Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

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

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

The following is a description of the valuation methodologies used for level 2 and level 3 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

- *Money Market Fund:* Valued at amortized cost, in accordance with rules under the Investment Company Act of 1940. Amortized cost approximated fair value.
- *U.S. Government bonds:* Valued based on inputs including interest-rate yield curves, cross-currency-basis index spreads and country credit spreads similar to the bond in terms of issuer, maturity and seniority.
- *Municipal bonds:* Valued based on a rating scale that includes type of issuer, credit rating, coupon, maturity date and certain criteria assumptions.
- *Corporate bonds:* Valued based on cash flow models that include interest rate yield curves.
- *Non-negotiable certificate of deposit:* Valued at cost, plus accrued interest, which approximates fair value.

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

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value as of June 30, 2011 and 2010.

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

Assets at Fair Value as of June 30, 2011

	Level 1	Level 2	Level 3	Total
Money market fund	$ -	$ 74,098	$ -	$ 74,098
U.S. Government bonds	-	666,910	-	666,910
Municipal bonds:				
AAA credit rating	-	1,047,294	-	1,047,294
AA+ credit rating	-	522,136	-	522,136
AA credit rating	-	1,187,838	-	1,187,838
AA- credit rating	-	388,728	-	388,728
A+ credit rating	-	511,046	-	511,046
A- credit rating	-	283,324	-	283,324
Corporate bonds:				
AA credit rating	-	344,366	-	344,366
AA- credit rating	-	325,204	-	325,204
A+ credit rating	-	340,921	-	340,921
A credit rating	-	392,893	-	392,893
A- credit rating	-	341,076	-	341,076
U.S. Treasury note	160,598	-	-	160,598
Mutual funds:				
U.S. Large Cap	1,347,045	-	-	1,347,045
U.S. Small / Mid Cap	615,294	-	-	615,294
International	1,222,835	-	-	1,222,835
Multi Strategy	3,815,518	-	-	3,815,518
Certificate of deposit	-	19,403,241	-	19,403,241
Total	$ 7,161,290	$ 25,829,075	$ -	$ 32,990,365

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

Assets at Fair Value as of June 30, 2010

	Level 1	Level 2	Level 3	Total
Money market fund	$ -	$ 17,317	$ -	$ 17,317
U.S. Government bonds	-	379,246	-	379,246
Municipal bonds:				
AAA credit rating	-	1,236,720	-	1,236,720
AA+ credit rating	-	251,767	-	251,767
AA credit rating	-	1,679,570	-	1,679,570
AA- credit rating	-	380,277	-	380,277
A+ credit rating	-	512,438	-	512,438
B- credit rating	-	266,740	-	266,740
Corporate bonds:				
AA- credit rating	-	323,054	-	323,054
A+ credit rating	-	343,795	-	343,795
A credit rating	-	713,339	-	713,339
U.S. Treasury note	158,438	-	-	158,438
Mutual funds:				
U.S. Large Cap	598,480	-	-	598,480
U.S. Small / Mid Cap	264,460	-	-	264,460
International	564,268	-	-	564,268
Multi Strategy	1,388,170	-	-	1,388,170
Commodity	444,152	-	-	444,152
Certificate of deposit	-	9,099,467	-	9,099,467
Total	$ 3,417,968	$ 15,203,730	$ -	$ 18,621,698

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Trust maintains its cash balances and certificate of deposit with Bank of Nevada. At June 30, 2011, the Trust's uninsured bank balances totaled $20,182,720. Trust management periodically evaluates financial soundness of the financial institution and believes such assets do not pose a financial risk to the Trust.

NOTE 6 – RELATED PARTIES

On August 11, 2008, the Teachers Health Trust (THT) signed an Administrative Services Agreement with the Trust, with an effective date of July 1, 2008. Under this Agreement, THT will provide services to the Trust, including claim processing, maintenance of eligibility records and other similar services in the same manner as those provided to THT. Effective September 1, 2009 through October 31, 2011, the monthly fee per retiree was $44.81 plus a flat administration fee of $4,000 per month.

NOTE 7 – BENEFIT OBLIGATIONS

The Trust's deficiency of its net assets over benefit obligations at June 30, 2011 and 2010 is the result of the infancy of the Trust relative to the postretirement benefit obligation. It is expected that the deficiency will decline over time given the current funding levels by CCSD and active employee contributions; however, future increases in contribution rates will be considered if determined necessary.

The health care cost-trend rate assumptions (see Note 2) have a significant effect on the amounts reported in the accompanying financial statements. If the assumed rates increased by one percentage point each year, it would increase the postretirement benefit obligation by approximately 20-22%.

NOTE 8 – RISKS AND UNCERTAINTIES

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

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

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act (Act). The Act includes a large number of health-related provisions to take effect over the next several years, many of which will not apply to the Trust given it is a retiree only plan. The impact to the Plan from the various applicable provisions of the Act is currently being estimated. Plan amendments have not been finalized; therefore, the effect of the Act has not yet been determined, including the impact on the Plan's benefit obligations.

NOTE 8 – RISKS AND UNCERTAINTIES (continued)

The majority of the Trust's participants are retired CCSD licensed employees. The Trust receives contributions from CCSD pursuant to the collective bargaining agreement determined between the CCEA and CCSD. Currently, the 2011-2012 collective bargaining agreement between the CCEA and CCSD has not been finalized.

SUPPLEMENTAL SCHEDULES

RETIREE HEALTH TRUST

SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CCEA service agreement	$ 235,995	$ 59,194
THT administrative services	69,822	45,299
Consultant	24,000	10,250
Actuarial and audit fees	19,000	28,500
Trustees conference and meeting expense	16,546	11,699
Fiduciary liability insurance	16,303	16,308
Telephone expense	7,080	7,026
Insurance expense	3,351	3,448
Postage and delivery	2,457	755
Publication, subscription, and dues	1,009	831
Printing and photocopying expense	999	-
Remittance advice and EOB	406	110
Summary plan document	218	-
EDI claims processing	24	-
Total	$ 397,210	$ 183,420

RETIREE HEALTH TRUST

SUPPLEMENTAL SCHEDULE OF INSURANCE PREMIUMS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
United Healthcare / PacifiCare / Secure Horizons	$ 250,388	$ 268,017
Group Term Life Insurance - Lincoln Nati'l. Life / Hartford	37,871	31,705
Medical PPO Network - THT	2,166	523
Utilization Management - Encompass	1,567	379
Vision PPO Network - Vision Service Plan	987	618
Dental PPO Network - THT / Diversified Dental	760	472
Behavioral Health - HBI	672	161
Total	$ 294,411	$ 301,875

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

To the Board of Trustees of Retiree Health Trust

We have audited the financial statements of Retiree Health Trust (Trust) for the year ended June 30, 2011 and have issued our report thereon dated December 5, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Retiree Health Trust are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the claims incurred, but not reported, and postretirement benefit obligations are based on AON actuarial valuation results. We evaluated the key factors and assumptions used to develop the claims incurred, but not reported, and post retirement obligations in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of the Concentration of Credit Risk in Note 5 to the financial statements regarding the Trust's bank balance in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation. The Trust's uninsured balance totals $20,182,720, which represents approximately 58% of the Trust's total assets.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected the misstatement. In addition, the misstatement detected as a result of audit procedures and corrected management was not material to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Trust's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trust's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees of Retiree Health Trust and management of Retiree Health Trust and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kafoury, Armstrong & Co.

Kafoury, Armstrong & Co.