

TEACHERS HEALTH TRUST
JUNE 30, 2011 AND 2010

**TEACHERS 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
Teachers Health Trust

We have audited the accompanying statements of net assets available for plan benefits and of benefit obligations of the Teachers 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 Teachers 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 14, 2011

TEACHERS HEALTH TRUST

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

	<u>2011</u>	<u>2010</u>
ASSETS		
INVESTMENTS, at fair value	\$ 29,344,111	\$ 33,515,202
RECEIVABLES		
Related party	635	590
Prescription drug rebate	1,339,940	-
	<u>1,340,575</u>	<u>590</u>
CASH AND CASH EQUIVALENTS	4,861,572	7,277,326
FIXED ASSETS (net of accumulated depreciation of \$3,835,063 and \$3,259,758, respectively)	6,787,939	7,173,960
OTHER ASSETS	24,574	32,095
PREPAID EXPENSES	209,749	114,093
	<u>42,568,520</u>	<u>48,113,266</u>
Total assets		
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable for administrative expenses	668,982	666,657
Due to related party	9,370	17,791
Deferred insurance contribution	60,623	64,804
Capital lease payable	53,347	71,638
	<u>792,322</u>	<u>820,890</u>
Total liabilities		
TOTAL NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u><u>\$ 41,776,198</u></u>	<u><u>\$ 47,292,376</u></u>

See accompanying notes.

TEACHERS HEALTH TRUST

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

	<u>2011</u>	<u>2010</u>
ADDITIONS:		
Contributions		
Clark County School District / Charter Schools	\$ 118,712,279	\$ 119,181,119
Employee deduction	24,040,085	23,049,968
Self-pay, COBRA, staff participants	1,666,716	1,701,357
	<u>144,419,080</u>	<u>143,932,444</u>
Investment income		
Net appreciation in fair value of investments	2,552,890	1,633,443
Interest and dividends	1,458,488	1,351,490
	<u>4,011,378</u>	<u>2,984,933</u>
Less: Investment manager fees	103,518	82,244
	<u>3,907,860</u>	<u>2,902,689</u>
Other income	<u>3,979,815</u>	<u>2,391,308</u>
Total additions	<u>152,306,755</u>	<u>149,226,441</u>
DEDUCTIONS:		
Insurance premiums	<u>2,158,055</u>	<u>2,236,823</u>
Benefits paid for participants		
Medical	100,106,762	87,678,510
Prescription drugs	32,749,914	31,649,197
Dental	12,560,819	11,378,488
Vision	2,294,255	2,115,554
	<u>147,711,750</u>	<u>132,821,749</u>
Administrative expenses	<u>7,953,128</u>	<u>8,284,746</u>
Total deductions	<u>157,822,933</u>	<u>143,343,318</u>
NET INCREASE (DECREASE)	(5,516,178)	5,883,123
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF YEAR	<u>47,292,376</u>	<u>41,409,253</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF YEAR	<u>\$ 41,776,198</u>	<u>\$ 47,292,376</u>

See accompanying notes.

TEACHERS HEALTH TRUST

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

	<u>2011</u>	<u>2010</u>
AMOUNTS CURRENTLY PAYABLE TO OR FOR PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS:		
Vision claims	\$ 192,393	\$ 209,434
Benefit claims, medical and dental	4,649,836	2,736,266
Prescription drugs	<u>543,126</u>	<u>1,349,116</u>
Total currently payable	5,385,355	4,294,816
OTHER CURRENT BENEFIT COVERAGE OBLIGATIONS:		
Claims incurred but not reported, at present value of estimated amounts	<u>6,150,164</u>	<u>6,963,734</u>
 TOTAL BENEFIT OBLIGATIONS	 <u><u>\$ 11,535,519</u></u>	 <u><u>\$ 11,258,550</u></u>

See accompanying notes.

TEACHERS HEALTH TRUST

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

	<u>2011</u>	<u>2010</u>
AMOUNTS CURRENTLY PAYABLE TO OR FOR PARTICIPANTS, BENEFICIARIES, AND DEPENDENTS:		
Balance at beginning of year	\$ 4,294,816	\$ 3,181,864
Claims reported and approved for payment	150,960,344	136,171,524
Claims paid	<u>(149,869,805)</u>	<u>(135,058,572)</u>
Balance at end of year	<u>5,385,355</u>	<u>4,294,816</u>
OTHER OBLIGATIONS FOR CURRENT BENEFIT COVERAGE, at estimated amounts:		
Balance at beginning of year	6,963,734	7,783,328
Net change during year	<u>(813,570)</u>	<u>(819,594)</u>
Balance at end of year	<u>6,150,164</u>	<u>6,963,734</u>
TOTAL BENEFIT OBLIGATIONS, END OF YEAR	<u>\$ 11,535,519</u>	<u>\$ 11,258,550</u>

See accompanying notes.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 – DESCRIPTION OF THE TRUST

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

General - On October 1, 1983, as a result of contract negotiations between the Clark County Education Association ("CCEA"), operating at that time as the Clark County Classroom Teachers Association ("CCCTA"), and the Clark County School District ("CCSD"), the Trust was created under NRS 287.010. The responsibilities of administration and management of health and welfare benefits shifted from the CCSD, as an employer, to the CCEA as bargaining agents of education employees. The Trust was established by the CCEA to administer health benefits for its participants. All licensed employees of CCSD paid on the teachers' salary schedule and eligible for representation by the CCEA, and other groups identified by the Teachers Health Trust Board of Trustees, are eligible for coverage. The Trust has elected to follow, but is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Benefits - The Trust provides medical, prescription drug, dental, vision, behavioral health, and death benefits to eligible participants. Participants become eligible for coverage on the first day of the month following their hire date.

Contributions - The collective bargaining agreement with the CCSD provides for monthly contributions to the Trust for eligible employees of the CCSD. The contribution rate is determined through collective bargaining between the CCEA and the CCSD. Participants may elect to make contributions to extend coverage to their eligible dependents.

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 orderly 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 (depreciation) includes the Trust's gains and losses on investments bought and sold, as well as held during the year. The Trust has contracted with an investment manager and investment custodian to manage the Trust's investment assets. For further information regarding fair value measurements of the Trust's investments, see Note 5.

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.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets, Net - Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets. The Trust depreciates its fixed assets using an estimated useful life of 40 years for buildings, 10 years for office furniture and equipment, and 5 years for computer hardware and software and telephone equipment. Costs of major improvements are capitalized, while costs of normal maintenance and repairs are expensed as incurred.

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, claims payable, and the estimated useful lives for depreciable assets. 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 deposits for security alarm, utilities, and workers compensation policy.

Other Income – Other income consists primarily of prescription drug rebates and administrative fee income.

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

Claims Payable and Estimated Claims Incurred but Not Reported - Plan 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. Such principles include a method that the progression of claim payment follows runoff patterns that are assumed to remain stable over time, adjusted for other factors that could impact the reserve adequacy.

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 March 21, 1991, from the IRS, and management of the Trust believes it continues to qualify and to operate in accordance with applicable provisions of the IRC.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Trust administrator believes it is no longer subject to income tax examinations for years prior to 2007.

Subsequent Events – Management has evaluated subsequent events through December 14, 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 – CONTRIBUTION RATE

Pursuant to the current collective bargaining agreement, the CCSD contribution for each participating licensed employee was \$538.87 per month effective July 1, 2008. The collective bargaining agreement remains effective until a new rate is negotiated.

NOTE 4 – INVESTMENTS

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

	<u>2011</u>	<u>2010</u>
Mutual funds – bond	\$ 11,130,027	\$ 16,186,764
Mutual funds – equity	14,877,629	12,964,385
U.S. Government bonds	562,518	101,042
Municipal bonds	2,553,453	903,783
Certificate of deposit	-	3,216,206
Money market account	<u>220,484</u>	<u>143,022</u>
	<u>\$ 29,344,111</u>	<u>\$ 33,515,202</u>

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 4 – INVESTMENTS (continued)

The fair value of individual investments that represent 5% or more of the Trust's net assets in either 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Mutual Funds:		
PIMCO Real Return Fund, Institutional	\$ 1,279,945	\$ 3,273,636
PIMCO Total Return Fund, Institutional	4,266,957	9,722,373
PIMCO Unconstrained Bond, Institutional	4,269,162	-
Absolute Opportunity Fund, Institutional	2,585,369	692,382
PIMCO All Asset All Authority Fund, Institutional	2,583,011	1,614,328
PIMCO Low Duration Fund	-	3,190,755
Certificate of Deposit:		
Bank of Nevada	-	3,216,206

During 2011 and 2010, the Trust's investments (including investments bought, sold and held during the year) appreciated by \$2,552,890 and \$1,633,443, respectively, as follows:

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Net appreciation in fair value of investments:		
Mutual funds	\$ 2,537,712	\$ 1,600,172
U.S. Government bonds	4,597	780
Municipal bonds	<u>10,581</u>	<u>32,491</u>
	<u>\$ 2,552,890</u>	<u>\$ 1,633,443</u>

NOTE 5 – 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.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

Level 2 Inputs to the valuation methodology include:

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

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

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

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

The following is a description of the valuation methodologies used for 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 accounting rules under the Investment Company Act of 1940. Amortized cost approximated fair value.
- *Non-negotiable Certificate of Deposit*: Valued at cost, plus accrued interest.
- *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 cash flow models that include interest rate yield curves.

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.

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

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

Assets at Fair Value as of June 30, 2011

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Money market fund	\$ -		\$ 220,484		\$ -		\$ 220,484
U.S. Government bonds	-		562,518		-		562,518
Municipal bonds:							
AAA credit rating	-		1,161,275		-		1,161,275
AA+ credit rating	-		408,474		-		408,474
AA credit rating	-		456,084		-		456,084
AA- credit rating	-		171,359		-		171,359
A+ credit rating	-		282,332		-		282,332
A credit rating	-		73,929		-		73,929
Mutual funds:							
U.S. Large Cap	2,656,702		-		-		2,656,702
U.S. Small / Mid Cap	1,135,065		-		-		1,135,065
International	2,453,579		-		-		2,453,579
Multi Strategy	8,632,283		-		-		8,632,283
Fixed income	<u>11,130,027</u>		<u>-</u>		<u>-</u>		<u>11,130,027</u>
Total	<u>\$ 26,007,656</u>		<u>\$ 3,336,455</u>		<u>\$ -</u>		<u>\$ 29,344,111</u>

Assets at Fair Value as of June 30, 2010

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Money market fund	\$ -		\$ 143,022		\$ -		\$ 143,022
U.S. Government bonds	-		101,042		-		101,042
Municipal bonds:							
AAA credit rating	-		486,031		-		486,031
AA+ credit rating	-		50,025		-		50,025
AA credit rating	-		258,491		-		258,491
AA- credit rating	-		50,653		-		50,653
A+ credit rating	-		58,583		-		58,583
Mutual funds:							
U.S. Large Cap	2,885,353		-		-		2,885,353
U.S. Small / Mid Cap	1,209,994		-		-		1,209,994
International	2,846,799		-		-		2,846,799
Multi Strategy	5,159,455		-		-		5,159,455
Fixed income	16,186,764		-		-		16,186,764
Commodity	862,784		-		-		862,784
Certificate of deposit	<u>-</u>		<u>3,216,206</u>		<u>-</u>		<u>3,216,206</u>
Total	<u>\$ 29,151,149</u>		<u>\$ 4,364,053</u>		<u>\$ -</u>		<u>\$ 33,515,202</u>

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Trust maintains its cash balances with Bank of Nevada. At June 30, 2011, the Trust's uninsured bank balances totaled \$7,267,968. Trust management periodically evaluates financial soundness of the financial institution and believes such assets do not pose a financial risk to the Trust.

NOTE 7 – FIXED ASSETS

Fixed assets, net are summarized as follows at June 30:

	<u>2011</u>	<u>2010</u>
Building - 2950 E. Rochelle Avenue	\$ 5,967,452	\$ 5,967,452
Land - 2950 E Rochelle Avenue	640,000	640,000
Office furniture and equipment	752,592	751,522
Computer hardware and software	2,928,749	2,740,535
Telephone equipment	248,399	248,399
Capital lease equipment	85,810	85,810
	<u>10,623,002</u>	<u>10,433,718</u>
Accumulated depreciation	<u>(3,835,063)</u>	<u>(3,259,758)</u>
Total fixed assets, net	<u>\$ 6,787,939</u>	<u>\$ 7,173,960</u>

Depreciation expense for the years ended June 30, 2011 and 2010 totaled \$575,305 and \$624,670, respectively.

NOTE 8 – RELATED PARTIES

The Trust reimburses CCEA for costs incurred based on the relationship agreement between the CCEA and the Trust. The Trust and CCEA are separate entities and maintain separate records. As of June 30, 2011 and 2010, the Trust had a payable due to CCEA of \$9,370 and \$16,669, respectively. Amounts paid to CCEA were \$388,628 and \$367,332 for the years ended June 30, 2011 and 2010, respectively.

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. This Trust, known as Retiree Health Trust (RHT), was established to provide health benefits to the retired employees and their dependents. The Trust and RHT are separate entities and maintain separate records. All employees who retire from actual 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. RHT provides medical, prescription drug, dental, vision, wellness and life insurance to eligible participants.

TEACHERS HEALTH TRUST

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 8 – RELATED PARTIES (continued)

The Trust signed a service agreement with the Clark County Education Association Community Foundation (Foundation) with an effective date of January 1, 2003. Under this agreement, the Foundation will provide services to the Trust, including public relation services, assist with presentation and outreach efforts, development and presentation of materials regarding Trust issues and other administrative services, in the amount of \$225,000 per year.

On August 11, 2008, the Trust signed an Administrative Services Agreement with RHT, with an effective date of July 1, 2008. Under this Agreement, the Trust will provide services including claim processing, maintenance of eligibility records and other similar services. 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. Amounts received from RHT totaled \$70,583 and \$45,538 for the years ended June 30, 2011 and 2010, respectively.

NOTE 9 – BENEFIT OBLIGATIONS

The Trust's benefit obligations represents claims incurred but not reported, claims unprocessed, claims in ready-to-pay status but not yet paid, insurance premium payable, and prescription drug claims payable. As of June 30, 2011 and 2010, the Trust had recorded benefit obligations of \$11,535,519 and \$11,258,550 in the accompanying statements of benefit obligations, of which \$5,385,355 and \$4,294,816 is currently payable as of June 30, 2011 and 2010, respectively. The remaining amounts of \$6,150,164 and \$6,963,734 represent claims incurred but not reported.

NOTE 10 – CAPITAL LEASE

The Trust leases equipment under a capital lease agreement with an unrelated third party. At June 30, 2011 and 2010, \$85,810 of such equipment is included in capital lease equipment, net of accumulated depreciation of \$33,290 and \$16,128 at June 30, 2011 and 2010, respectively. Future minimum payments under the lease as of June 30, 2011 are as follows:

Year ending June 30,	
2012	\$ 18,291
2013	18,291
2014	<u>16,765</u>
	53,347
Less current maturities	<u>(18,291)</u>
	<u>\$ 35,056</u>

TEACHERS HEALTH TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 11 – EMPLOYEE BENEFIT PLAN

Effective January 1, 2001, the Trust established a Money Purchase Pension Plan for its eligible employees. The Trust makes a contribution of 18.4 percent of all eligible employees' compensation. Employer contributions for the year ended June 30, 2011 and 2010 were \$537,251 and \$543,984, respectively.

Effective January 1, 2007, the Trust established a Roth 401(k) plan for its employees. No contributions to the plan were made or required to be made by the Trust for the year ended June 30, 2011 and 2010.

NOTE 12 – 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.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act (Act). The Act includes a large number of health-related provisions to take effect over the next several years. The impact to the Trust from the various provisions of the Act is currently being estimated. The Trust has been amended, in accordance with the provisions of the Act, such that, effective July 1, 2010, the age for determination of a dependent eligible for coverage will be younger than age 26; whereas, prior to this amendment, it was younger than age 19.

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

SUPPLEMENTAL SCHEDULES

TEACHERS HEALTH TRUST

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

	<u>2011</u>	<u>2010</u>
Staff salaries and benefits:		
Claims administration	\$ 1,059,114	\$ 1,126,348
Accounting and administrative	1,029,078	1,037,602
Participant services	958,495	957,523
Support services	535,252	535,294
Provider services	465,730	467,023
Wellness and health programs	356,200	338,026
Document imaging	251,661	256,041
Clinical initiatives	228,873	237,176
Information technology	224,622	242,007
Communications	36,907	67,053
	<u>5,145,932</u>	<u>5,264,093</u>
Depreciation expense	575,305	624,670
CCEA service agreement	346,096	345,760
Claims processing expenses	277,776	365,581
Community foundation service agreement	225,000	225,000
Legal fees	207,804	295,570
Postage and delivery	158,500	163,491
Health education programs	157,281	183,194
Benefit communications	140,216	143,536
Building expenses	123,925	125,192
Audit and actuarial fees	80,700	41,600
Professionals fees	80,304	63,520
Utilities expenses	70,290	88,193
Health Traxx newsletter	57,221	59,450
Trustees conference and meeting expenses	54,818	36,152
Computer supplies and expenses	48,765	51,975
Insurance expenses	43,229	39,818
Photocopying expenses	32,978	33,754
Fiduciary liability insurance	31,127	34,990
Miscellaneous expenses	23,001	18,230
Printing expenses	22,842	14,681
Office supplies and expenses	12,915	14,163
Publications, subscriptions, and dues	11,851	14,829
Employee related expenses	9,479	8,111
Rental expenses	8,325	6,781
Staff training and conference	4,663	13,917
Outside services and temporary employee	2,785	8,495
	<u>7,953,128</u>	<u>8,284,746</u>
Total	<u>\$ 7,953,128</u>	<u>\$ 8,284,746</u>

TEACHERS HEALTH TRUST

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

	<u>2011</u>	<u>2010</u>
Group Term Life Insurance - Lincoln Nat'l. Life / Hartford	\$ 1,160,360	\$ 1,171,448
Utilization Management - Encompass	554,768	556,210
Behavioral Health - HBI	225,247	226,277
Vision PPO Network - Vision Service Plan	163,290	164,276
Medical PPO Network - Coalition of America	54,390	48,992
Dental PPO Network - Diversified Dental	-	69,620
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Total	<u>\$ 2,158,055</u>	<u>\$ 2,236,823</u>