

**NORTHERN ARIZONA PUBLIC
EMPLOYEES BENEFIT TRUST**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2005 and 2004

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Zobel & Hall, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Northern Arizona Public Employees Benefit Trust

We have audited the accompanying statements of net assets available for benefits of Northern Arizona Public Employees Benefit Trust as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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 Plan as of December 31, 2005 and 2004, 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.

Zobel & Hall, P.C.

Tempe, Arizona
September 19, 2007

Northern Arizona Public Employees Benefit Trust
STATEMENT OF NET ASSETS
December 31, 2005 and 2004

	2005	2004
Assets		
Cash	\$ -	\$ -
Accounts receivable:	-	-
Total assets	-	-
Liabilities		
Liabilities	-	-
Net Assets	\$ -	\$ -

The employers of the Trust pay insurance premiums for all the benefits. Therefore the employers of the Trust have transferred the risk for claims to the insurance company. Because all benefits are provided by the insurance company there are no assets in the Trust.

Northern Arizona Public Employees Benefit Trust
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2005 and 2004

	2005	2004
Additions to net assets:		
Employer Contributions - City of Flagstaff	\$ 4,124,095	\$ 4,031,118
Employer Contributions - Coconino Community College	754,607	695,004
Employer Contributions - Coconino County	5,671,104	5,177,192
Employer Contributions - Flagstaff Unified School District	7,155,888	5,768,612
	17,705,694	15,671,926
Employee Contributions - City of Flagstaff	1,730,020	1,436,763
Employee Contributions - Coconino Community College	180,486	156,300
Employee Contributions - Coconino County	1,719,880	1,425,189
Employee Contributions - Flagstaff Unified School District	1,425,680	2,252,076
	5,056,066	5,270,328
Total additions	22,761,760	20,942,254
Deductions from net assets:		
Insurance premiums:		
Medical - Blue Cross Blue Shield	20,049,844	18,639,890
Dental - Delta Dental	1,885,815	1,746,302
Vision - VPS	228,802	99,494
Life, Accidental Death & Dismemberment - Mutual of Omaha	597,299	456,568
Total deductions	22,761,760	20,942,254
Net increase (decrease) in net assets	-	-
Beginning net assets	-	-
Ending net assets	\$ -	\$ -

As stated in the Statement of Net Assets, the Trust does not have any assets including a bank account. The activity stated above is paid directly from the employers to the insurance companies.

See accountant's report and notes to financial statements.

Northern Arizona Public Employee Benefit Trust
Notes to Financial Statements
December 31, 2005 and 2004

NOTE A – DESCRIPTION OF PLAN

The Northern Arizona Public Employees Benefit Trust was formed July 1, 1993 between the City of Flagstaff; Coconino Community College; Coconino County and Flagstaff Unified School District. The Board of Trustees shall consist of at least four people who are employees or governing body members of the participating employers.

The purpose of this Trust is to provide benefits, including but not limited to life, accidental death and dismemberment, disability, basic or major medical coverage for accidents or sickness, dental, and any other benefits as determined by the Trustees for beneficiaries, provided such benefits are related to health, death or disability.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Income Taxes

The Trust is not obligated to file forms 5500 and 990 as normally required by employee benefit trusts because the employers to which the Trust are related are governmental entities or subdivisions.

Trust Assets

The Trust does not have a checking account and has no other asset(s). Premiums are paid each month by the participating employers directly to the insurance companies. Therefore the Trust has accepted no risk for claims. The employers have transferred the risk to the insurance company.

NOTE C – PLAN TERMINATION

Under certain conditions the Plan may be terminated. Upon termination, the assets then remaining shall be subject to the applicable provisions of the Plan then in effect and shall be used until exhausted to pay benefits to employees in the order of their entitlement.