

**NORTHERN ARIZONA PUBLIC
EMPLOYEES BENEFIT TRUST**

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

June 30, 2006 and December 31, 2005

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 3

STATEMENTS OF NET ASSETS 4

STATEMENTS OF CHANGES IN NET ASSETS 5

NOTES TO FINANCIAL STATEMENTS 6



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 June 30, 2006 and December 31, 2005, and the related statements of changes in net assets available for benefits for the six-month and twelve-month periods 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 June 30, 2006 and December 31, 2005, and the changes in its financial status for the six-month and twelve-month periods 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
June 30, 2006 and December 31, 2005

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Assets		
Cash	\$ -	\$ -
Accounts receivable:	<u>-</u>	<u>-</u>
Total assets	-	-
Liabilities		
Liabilities	<u>-</u>	<u>-</u>
Net Assets	<u>\$ -</u>	<u>\$ -</u>

The employers of the Trust pay insurance premiums directly to the insurance companies 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.

See accountant's report and notes to financial statements.

Northern Arizona Public Employees Benefit Trust
STATEMENT OF CHANGES IN NET ASSETS
For the Six Months Ended June 30, 2006 and Year Ended December 31, 2005

	<u>Six Months Ended</u> <u>June 30, 2006</u>	<u>Year Ended</u> <u>December 31, 2005</u>
Additions to net assets:		
Employer Contributions - City of Flagstaff	\$ 2,126,038	\$ 4,124,095
Employer Contributions - Coconino Community College	395,013	754,607
Employer Contributions - Coconino County	2,980,225	5,671,104
Employer Contributions - Flagstaff Unified School District	<u>3,772,774</u>	<u>7,155,888</u>
	9,274,050	17,705,694
Employee Contributions - City of Flagstaff	912,273	1,730,020
Employee Contributions - Coconino Community College	84,251	180,486
Employee Contributions - Coconino County	914,207	1,719,880
Employee Contributions - Flagstaff Unified School District	<u>693,172</u>	<u>1,425,680</u>
	2,603,903	5,056,066
Total additions	11,877,953	22,761,760
Deductions from net assets:		
Insurance premiums:		
Medical - Blue Cross Blue Shield	10,471,775	20,049,844
Dental - Delta Dental	973,762	1,885,815
Vision - VPS	121,109	228,802
Life, Accidental Death & Dismemberment - Mutual of Omaha	<u>311,307</u>	<u>597,299</u>
Total deductions	11,877,953	22,761,760
Net increase (decrease) in net assets	-	-
Beginning net assets	<u>-</u>	<u>-</u>
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.

Northern Arizona Public Employee Benefit Trust
Notes to Financial Statements
June 30, 2006 and December 31, 2005

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 consists 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.

On or about January 1, 2006, Northern Arizona Public Employees Benefit Trust changed to a fiscal year-end of June 30, 2006.

Effective July 1, 2006, the plan became self-funded. In the self-funded arrangement, the employer and employee contributions are set aside in the Trust in order to accumulate amounts necessary to pay benefits and administrative expenses. A third-party insurance company processes the claims on the plan and then notifies the Trust of the amount of claims to be paid on a monthly basis.

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.