Middle Cities Risk Management Trust

Financial Report

with Additional Information

June 30, 2008

Middle Cities Risk Management Trust

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plante moran

Plante & Moran, PLLC
Suite 300
2601 Cambridge Court
Auburn Hills, MI 48326
Tel 248.375.7100
Fax 248.375.7101
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Middle Cities Risk Management Trust

We have audited the accompanying statement of net assets of Middle Cities Risk Management Trust as of June 30, 2008 and 2007 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These 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 audits 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 position of Middle Cities Risk Management Trust at June 30, 2008 and 2007 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 2, 2008

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Middle Cities Risk Management Trust

Management's Discussion and Analysis

This section of Middle Cities Risk Management Trust's (the "Trust") annual financial report presents our discussion and analysis of the Trust's financial performance during the year ended June 30, 2008. Please read it in conjunction with the Trust's financial statements, which immediately follow this section.

Using this Annual Report

The Trust is a public entity self-insurance pool that provides property and liability coverages to its participating members. Membership is open to all school districts, selective district libraries, community colleges, and public school academies in the state of Michigan. This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Trust. This is followed by the statement of cash flows, which presents detailed information about the changes in the Trust's cash position during the year.

Financial Overview

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The basic financial statements, which follow this section, provide both long-term and short-term information about the Trust's financial status. The Trust uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. These statements reflect only the risk carried by the Trust, which also includes any potential unrecoverable reinsurance claims. The three basic financial statements presented are as follows:

- **Statement of Net Assets** - This statement presents information reflecting the Trust's assets, liabilities, and net assets.

- **Statement of Revenues, Expenses, and Changes in Net Assets** - This statement reflects the operating and nonoperating revenues and expenses for the previous two fiscal years. Operating revenues consist primarily of member contributions, with the major sources of operating expenses being claims and claims adjustment expense, general and administrative expenses, and reinsurance costs. Nonoperating expenses consist primarily of activities related to the real estate joint venture.

- **Statement of Cash Flows** - This statement is presented on the direct method of reporting, and reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Condensed Financial Information

The statements report the Trust's net assets and how they have changed. Net assets - the difference between the Trust's assets and liabilities - is one way to measure the Trust's financial health, or position. Over time, increases and decreases in the Trust's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. Summarized financial information follows:

	June 30		
	2008	2007	2006
Total Assets			
Current assets	$ 21,457,916	$ 22,389,283	$ 19,070,690
Long-term assets	1,700,704	1,744,931	1,791,591
Total assets	23,158,620	24,134,214	20,862,281
Total Liabilities			
Current liabilities	4,127,681	3,800,198	4,889,941
Long-term liabilities	2,674,759	3,916,336	2,878,225
Total liabilities	6,802,440	7,716,534	7,768,166
Net Assets			
Invested in capital assets	186,957	198,284	209,616
Unrestricted net assets	16,169,223	16,219,396	12,884,499
Total net assets	**$ 16,356,180**	**$ 16,417,680**	**$ 13,094,115**

	Year Ended June 30		
	2008	2007	2006
Changes in Net Assets			
Total revenue	$ 11,994,075	$ 13,114,730	$ 11,411,499
Total expenses	7,831,093	8,352,669	8,306,979
Excess of revenue over expenses	4,162,982	4,762,061	3,104,520
Distribution to members	4,224,482	1,438,496	1,454,862
Change in Net Assets	**$ (61,500)**	**$ 3,323,565**	**$ 1,649,658**

In addition to net assets, when assessing the overall health of the Trust, the reader needs to consider other nonfinancial factors such as the legal climate in the state, the general state of the financial markets, and the level of risk prevention undertaken by the Trust and its members.

The Trust cannot control the first two factors. However, since its inception, the Trust has been a leader in implementing aggressive risk prevention programs. It provides extensive training to its members in various areas of school district operations. It makes use of several advisory committees comprised of member employees holding job responsibilities related to the activities of the committee.

Condensed Comparative Financial Highlights

- Overall, the Trust's net assets decreased by $61,500, from $16,417,680 to $16,356,180 due primarily to distributions of net assets to members of $4,224,482.

- Total revenue decreased by $1,120,655, from $13,114,730 to $11,994,075. Member contributions for coverage decreased by $14,739 while investment income, including the change in the fair value of investments, decreased by $1,053,531. In addition, the Trust realized a loss of $18,189 from its investment in a real estate joint venture.

- Risk management, underwriting, and other administrative expenses increased by $13,914, from $1,084,939 to $1,098,853, due to an increase in consulting fees which was partially offset by an overall decrease in general operating expenses.

- Incurred claims and claims adjustment expenses were $2,045,370 and $2,452,988 for the years ended June 30, 2008 and 2007, respectively.

- Outside reinsurance costs decreased by $163,859, from $4,793,452 to $4,629,593.

- Reserves (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, decreased by $1,535,691. Approximately $1,290,000 of the decrease was due to the Trust changing its method of estimating the reserves, which is discussed in Note 2 to the financial statements. At June 30, 2008, reserves are recorded at the 75 percent contingency margin confidence level.

- Investment income of $690,675 was earned this year compared to $1,796,591 in the prior year. This decrease was a result of market changes during the current year.

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments comprise the most significant numbers in the asset section of the Trust's statement of net assets.

Accordingly, the board of directors has established investment policies. The fundamental investment objectives are:

1. To maintain prudent credit standards for all investments
2. To establish a strong foundation of investment positioned to perform well under current and anticipated future market conditions
3. To set forth a disciplined buy/sell process for every security in the portfolio
4. To maximize return on cash assets while minimizing risks to principal and interest and to ensure that liquidity funds are available to respond to anticipated and unanticipated cash flow needs
5. To minimize concerns for safety of cash and investments

Investment guidelines for U.S. equities provide for investing in a broadly diversified portfolio of U.S. dollar dominated debt securities issued by the U.S. government, agencies, states, localities, and U.S. domiciled companies. All debt securities must have a quality rating of BAA/BBB or above. The overall portfolio quality rating should be A+ or above.

Investment guidelines for cash and cash equivalents provide that managers using cash and cash equivalents in their portfolio are expected to adhere to the American Banking Association investment standards on security type, quality, and maturity for short-term investment funds (STIF), except for money market funds.

Currently, all investments of the Trust are professionally managed and invested consistent with the safeguards and diversity which aims to, at a minimum, preserve overall portfolio principal. Investments are held in trust by Comerica Bank. Asset Allocation Management acts as the investment portfolio manager.

Reserves for Unpaid Claims

The Trust's most significant numbers in the liability section of the statement of net assets are the reserves for reported and incurred but not reported claims and claim adjustment expenses. Tillinghast, a Towers Perrin Company, conducts an independent actuarial analysis to determine the adequacy and reasonableness of such reserves.

Real Estate Investment Joint Venture

In 2003-2004, the board of the Middle Cities Risk Management Trust entered into a joint venture with its parent, Middle Cities Education Association, and an unaffiliated third party, the North Central Association/Commission on Accreditation and School Improvement, for the purpose of purchasing land and developing/constructing joint office facilities. The Trust had, in prior years, set aside approximately $920,000 for such new office facilities. A total of $200,000 of those previously set-aside funds had been approved as a loan to the parent for its share of the land purchase. The Trust contributed an additional $270,000 to the joint venture project in 2005-2006. The building was completed in 2005-2006 and is now occupied by the entities. The Trust's share of the joint venture at June 30, 2008 is $777,133.

Respectfully yours,

Middle Cities Risk Management Trust

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Executive Director

Middle Cities Risk Management Trust

Statement of Net Assets

	June 30 2008	June 30 2007
Assets		
Cash and cash equivalents (Note 2)	$ 188,120	$ 886,881
Investments (Note 2)	20,719,273	20,887,982
Accrued interest on investments	144,056	142,579
Receivables:		
Member	-	28,246
Affiliate (Note 6)	5,142	7,071
Excess insurance - Specific	3,706	-
Excess insurance - Aggregate	-	39,493
Other	7,241	7,077
Other assets	941	1,191
Note receivable (Note 6)	751,326	765,363
Funds on deposit with claims administrator	374,725	374,725
Investment in real estate joint venture (Note 8)	777,133	795,322
Property - Net (Note 3)	186,957	198,284
Total assets	23,158,620	24,134,214
Liabilities		
Accounts payable:		
Trade	69,781	88,839
Affiliate (Note 6)	72,019	154,930
Unearned contributions	1,212,499	435,708
Dividends payable	-	25,622
Accrued service fees (Note 7)	26,836	68,024
Other accrued liabilities	24,026	10,441
Allowances for unsettled claims and claims incurred but not reported (Note 4):		
Due within one year	2,722,520	3,016,634
Due in more than one year	2,674,759	3,916,336
Total liabilities	6,802,440	7,716,534
Net Assets		
Invested in capital assets	186,957	198,284
Unrestricted	16,169,223	16,219,396
Net assets	**$ 16,356,180**	**$ 16,417,680**

The Notes to Financial Statements are an Integral Part of this Statement.

Middle Cities Risk Management Trust

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2008	2007
Operating Revenue		
Member contributions	$ 11,303,400	$ 11,318,139
Interest and dividends	972,508	1,211,857
Realized gain on sales of investments	148,977	200,825
Net (depreciation) appreciation in fair value of investments (Note 2)	(430,810)	383,909
Total revenue	11,994,075	13,114,730
Operating Expenses		
Provision for claims:		
Payments	3,620,149	2,434,764
Change in liabilities for unsettled claims and claims incurred but not reported (Note 4)	(1,535,691)	18,224
Excess insurance premiums	4,629,593	4,793,452
Service fees	449,952	464,820
Administrative expenses:		
Salary, wages, and fringe benefits	184,584	122,789
Taxes and insurance	15,861	23,568
Professional fees	228,900	199,872
Office expenses	195,938	263,996
Meetings and travel	23,173	16,134
Other	445	(6,240)
Total expenses	7,812,904	8,331,379
Operating Income	4,181,171	4,783,351
Nonoperating Expenses		
Distributions to members	4,224,482	1,438,496
Loss from investment in real estate joint venture (Note 8)	18,189	21,290
Total nonoperating expenses	4,242,671	1,459,786
Change in Net Assets	(61,500)	3,323,565
Net Assets - Beginning of year	16,417,680	13,094,115
Net Assets - End of year	**$ 16,356,180**	**$ 16,417,680**

The Notes to Financial Statements are an Integral Part of this Statement.

Middle Cities Risk Management Trust

Statement of Cash Flows

	Year Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Cash received from members	$ 12,176,988	$ 11,516,553
Cash payments for goods and services	(5,846,691)	(5,235,990)
Claims and claims adjustment expenses paid	(3,620,149)	(2,434,764)
Cash payments to members for distributions	(4,250,104)	(2,031,872)
Net cash (used in) provided by operating activities	(1,539,956)	1,813,927
Cash Flows from Investing Activities		
Interest and dividend income	972,508	1,211,857
Investment in joint venture	(18,189)	(21,290)
Proceeds from sale of investments	26,516,811	26,568,658
Purchase of investments	(26,629,935)	(29,242,178)
Net cash provided by (used in) investing activities	841,195	(1,482,953)
Net (Decrease) Increase in Cash and Cash Equivalents	(698,761)	330,974
Cash and Cash Equivalents - Beginning of year	886,881	555,907
Cash and Cash Equivalents - End of year	**$ 188,120**	**$ 886,881**
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 4,181,171	$ 4,783,351
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	11,327	11,332
Interest and dividends	(972,508)	(1,211,857)
Realized gain on sales of investments	(148,977)	(200,825)
Change in fair value of investments	430,810	(383,909)
Distributions to members	(4,224,482)	(1,438,496)
Investment in joint venture	18,189	21,290
(Increase) decrease in assets:		
Accrued interest	(1,477)	(13,313)
Receivables	79,835	292,315
Other assets	250	(191)
Deposits	-	(101,687)
Increase (decrease) in liabilities:		
Accounts payable	(127,591)	(440,817)
Unearned premiums	776,791	435,708
Allowance for unsettled claims and claims incurred but not reported	(1,535,691)	18,224
Accrued liabilities	(27,603)	42,802
Net cash (used in) provided by operating activities	**$ (1,539,956)**	**$ 1,813,927**

There have been no noncash transactions in 2008 and 2007.

The Notes to Financial Statements are an Integral Part of this Statement.

Note 1 - Nature of Entity and Significant Accounting Policies

Middle Cities Risk Management Trust (the "Trust") was established July 1, 1987 under the laws of the State of Michigan as a governmental group risk retention trust. Organizational activity relating to the formation of the Trust, including the selection of the board of directors, began in September 1986 under the sponsorship of Middle Cities Education Association, the founding association. The Trust provides a single multiperil contract under which the members are covered for various types of risk including: property all risk; general and automobile liability; crime and boiler machinery; and loss and physical damage to automobiles, mobile equipment, EDP software, fine arts, and other miscellaneous property. Membership in the Trust is open to all school districts affiliated with the Middle Cities Education Association, of which there are 37 participating in the Trust. The basic financial statements as presented herein are an accumulation of the financial information from all open policy years.

The program's general objectives are to manage the Trust, provide risk management that consists of compensating members for losses, costs, and expenses related to the stated coverages, and utilize the funds contributed by members to defend any member of the pool against stated liability or loss. Membership in the Trust is considered after a formal request supported by a resolution from the Board of Education of the applying school district. Any member joining the Trust is required to remain a member for a minimum of one full year. A member may withdraw from the Trust by giving written notice at least 180 days prior to the end of that member's current term of membership.

Trust underwriting and rate-setting policies are established after consultation with excess insurance underwriters and actuaries. Members are given 30 days' notice to make annual contributions to the Trust. The annual contributions are based on a final budget approved by the board of directors.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental insurance pools. Private sector standards of accounting issued prior to December 1, 1989 are generally followed to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Trust has elected not to follow private sector standards issued after November 30, 1989. Contributions for premiums received from members, which are calculated by the Trust, are recorded as revenue. Claim losses, along with excess insurance premiums, service fees, and administrative costs, are recorded as expenses. The estimated total cost of claim losses (including future claim adjustment expenses) is accrued at present value based on the estimate of claims that ultimately will be filed for an insurance period. It is anticipated that to the extent the group's contributions finally are deemed to exceed claim losses and other costs, the excess amount will be refunded at some time in the future. If necessary, funding deficits in individual policy years will be recovered through additional member contributions assessed to members of that policy year. A member's contributions in excess of his or her claim losses and his or her share of other costs and expenses, including, under certain circumstances, a share of group claim losses, will be refunded upon board approval.

The Trust distinguishes operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the Trust's principal ongoing operations. The principal operating revenue relates to members' contributions and investment income. Operating expenses include the cost of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash Equivalents - The Trust considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments consist of U.S. government securities with maturities of greater than three months, agency-backed securities, collateralized mortgage obligations (CMO), public, corporate, and foreign bonds, and common and preferred stocks. All investments are recorded at fair value. For agency-backed securities and collateralized mortgage obligations, certain prepayment assumptions are used in determining the fair value. Unrealized gains and losses are credited or charged to income. The Trust's foreign bonds consist of bonds issued in U.S. currency on behalf of foreign owned companies, which are not subject to foreign currency risk.

Accounts Receivable - Trade accounts receivable are stated at net invoice amounts. Collectibility of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. No allowance for bad debts is recorded because management considers all accounts receivable to be collectible.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Property - Property is recorded at cost, less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets. Costs of maintenance and repairs are charged to expense when incurred.

Unearned Contributions - Unearned contributions represent member contributions received in advance for the 2008/2009 fund year.

Federal Income Tax Status - The Trust has received a determination from the Internal Revenue Service that its income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision has been made for taxes on income.

Contribution Deficiency - Anticipated investment income is considered in determining if a contribution deficiency exists.

Uses of Net Assets - The Trust has designated a portion of its net assets totaling approximately $2,317,000 for the following: the cost of its building, risk control programs, and future premium rate stabilization credits.

Use of Estimates - The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates related to allowances for unsettled claims and claims incurred but not reported are described in Note 4.

Reclassification - Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

Note 2 - Deposits and Investments

The Trust's investment policy authorizes the Trust to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Trust investments are in accordance with the State Insurance Code.

Trust investments are held in the Trust's name. The Trust has designated Comerica Bank for the deposit of its investments.

Note 2 - Deposits and Investments (Continued)

The Trust's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk of bank deposits. At year end, the Trust's deposit balance of $121,927 had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Trust evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Trust's investment policy does not restrict investment maturities. The Trust's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the Trust's cash requirements. The weighted average maturity of debt securities is 3.28 years and 4.76 years for the years ended June 30, 2008 and 2007, respectively.

Credit Risk - The State Insurance Code and the Trust's investment policy do not limit investments in commercial paper to specific ratings issued by nationally recognized statistical organizations.

Note 2 - Deposits and Investments (Continued)

At June 30, 2008, the Trust had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Asset-backed securities	$ 1,274,872	1.36
Commerical CMO	3,690,562	3.08
U.S. CMO	2,866,598	2.30
U.S. agencies	656,470	0.44
Public corporate bonds	2,146,027	2.69
U.S. mortgage-backed securities	3,402,267	4.54
Foreign bonds	293,851	2.43
Taxable municipal bonds	1,889,414	1.83
Convertible bonds	3,647,422	4.50
Convertible equity	797,700	8.80
Convertible foreign equity	54,090	0.51
Total fair value	$ 20,719,273	
Portfolio weighted average maturity		3.28

At June 30, 2007, the Trust had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Asset-backed securities	$ 2,209,552	1.00
CMO	6,422,241	3.03
U.S. agencies	1,228,648	0.09
Public corporate bonds	2,092,506	2.49
Commercial mortgage-backed securities	2,028,721	5.40
Foreign bonds	237,025	3.14
Taxable municipal bonds	2,025,576	2.61
Convertible preferred	410,491	19.18
Convertible bonds	4,042,444	4.07
Common and preferred stock	190,778	N/A
Total fair value	$ 20,887,982	
Portfolio weighted average maturity		4.76

Note 2 - Deposits and Investments (Continued)

At June 30, 2008, the credit quality ratings of the Trust's debt securities, without regard to investment type, are as follows:

Rating	Fair Value
AGY/GOVT	$ 7,322,035
AAA	4,793,400
AA+	96,831
AA	1,718,972
AA-	713,741
A+	353,933
A	1,111,807
A-	1,159,043
BBB+	731,760
BBB	237,169
BBB-	265,792
BB+	298,648
B+	144,125
B	122,525
Not rated	1,649,492
Total	$ 20,719,273

At June 30, 2007, the credit quality ratings of the Trust's debt securities, without regard to investment type, are as follows:

Rating	Fair Value
AGY/GOVT	$ 6,184,844
AAA	8,210,356
AA+	566,521
AA	1,037,033
AA-	574,237
A+	1,633,974
A	516,034
A-	742,725
BBB+	709,957
BBB	236,713
BBB-	146,713
BB+	136,500
B	192,375
Total	$ 20,887,982

Note 2 - Deposits and Investments (Continued)

The rating organization used by the Trust to rate its investments is Standard & Poor's.

The cost, fair market value, and net depreciation in fair value of investments at June 30 is as follows:

	2007	2006
Cost	$ 21,345,979	$ 21,084,476
Fair market value	20,719,273	20,887,982
Net depreciation in fair value of investments	$ (626,706)	$ (196,494)

Concentration of Credit Risk - The Trust places no limit on the amount it may invest in any one issuer. There were no investments that individually exceed 5 percent of the Trust's total investments at June 30, 2008.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in a currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Trust's investment policy does not address foreign currency risk. The Trust has no investments subject to foreign currency risk.

Note 3 - Property

Cost of property and depreciable lives are summarized as follows:

	2008	2007	Depreciable Life - Years
Buildings	$ 324,218	$ 324,218	31.5
Building improvements	21,370	21,370	10-15
Total cost	345,588	345,588	
Less accumulated depreciation	158,631	147,304	
Net carrying amount	$ 186,957	$ 198,284	

There were no additions or deletions of property in 2008 or 2007. Total depreciation expense was $11,327 and $11,332 for 2008 and 2007, respectively.

Note 4 - Allowances for Unsettled Claims and Claims Incurred but Not Reported

As discussed in Note 1, the Trust establishes a liability for both reported and unreported claims that includes estimates of both future losses and related claim adjustment expenses.

At June 30, 2008 and 2007, the estimates are as follows:

	2008	2007
Claims filed at June 30 that remain unsettled as of that date (estimated by insurance service provider)	$ 2,064,400	$ 5,330,942
Estimate of claims incurred prior to June 30, but not reported as of that date, that are expected to be filed in the future	3,478,741	3,850,904
Less portion to be paid by excess insurance carrier	(74,765)	(2,163,174)
Net undiscounted reserves	5,468,376	7,018,672
Less effect of discount	(71,097)	(85,702)
Total	$ 5,397,279	$ 6,932,970

For the years ended June 30, 2008 and 2007, the estimates of the claims incurred but not reported as of those dates were actuarially determined and are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. The reserves for unsettled claims and claims incurred but not reported are presented at present value using a discount rate of 1 percent for both 2008 and 2007, and a 75 percent and 90 percent contingency margin confidence level for 2008 and 2007, respectively. During 2008, the Trust elected to reduce this contingency margin confidence level to more accurately estimate its liabilities. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments to these amounts will affect the reported results of future periods.

Note 4 - Allowances for Unsettled Claims and Claims Incurred but Not Reported (Continued)

The following table represents changes in the unpaid claims for the Trust for the years ended June 30, 2008 and 2007:

	2008	2007
Unpaid claims and claims adjustment expenses - Beginning of fiscal year	$ 6,932,970	$ 6,914,746
Incurred claims and claims adjustment expenses:		
Provisions for insured events of the current fiscal year	3,824,373	5,446,299
Change in provision for insured events of prior fiscal years	(3,828,324)	(1,071,843)
Total incurred claims and claims adjustment expenses	(3,951)	4,374,456
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	1,071,938	1,316,575
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	2,548,211	1,118,189
Total payments	3,620,149	2,434,764
Change in amount to be paid by excess insurance carrier	2,088,409	(1,921,468)
Unpaid claims and claims adjustment expenses - End of fiscal year	$ 5,397,279	$ 6,932,970

Incurred claims relating to prior years decreased during 2008 and 2007 due to claims settling for amounts different from those originally estimated and re-estimation of estimated future payment amounts.

Note 5 - Insurance Coverage

The Trust has acquired excess liability insurance coverage for both specific claims and aggregate claims paid by the Trust. The specific insurance policy will cover payments for any specific claims in excess of the amounts shown below, up to the maximum coverage shown below. Under the aggregate policy, the insurance carrier will pay for all claims paid in excess of the loss fund as shown below. Upon exhaustion of the loss fund, the excess insurance carrier becomes the primary insurer to the extent of the coverage provided in the contract as specified below:

		Specific Occurrence			Aggregate Reinsurance	
Accident Date by Insurance Period	Deductible	In Excess of	Maximum Coverage		Loss Fund	Maximum Coverage
Policy year 20:						
General and auto liability	$ -	$ 600,000	$ 5,000,000	***	*	Statutory
Damage to insured's property	-	500,000	600,000,000		*	Statutory
Damage to insured's mobile equipment, EDP, software, and fine arts	1,000	500,000	600,000,000		*	Statutory
Employee dishonesty, internal and external robbery, and forgery	1,000	500,000	-		*	**
Boiler and machinery	1,000	1,000	50,000,000		*	**
Policy year 21:						
General and auto liability	-	600,000	10,400,000	***	*	Statutory
Damage to insured's property	-	500,000	400,500,000		*	Statutory
Damage to insured's mobile equipment, EDP, software, and fine arts	1,000	500,000	400,500,000		*	Statutory
Employee dishonesty, internal and external robbery, and forgery	1,000	500,000	-		*	**
Boiler and machinery	1,000	1,000	50,000,000		*	**

Note 5 - Insurance Coverage (Continued)

* The maximum exposure to the Trust for any combination of the above types of claims is as follows:

Years Ended June 30	Amount
2008	$ 5,350,000
2007	5,500,000
2006	5,400,000
2005	5,100,000
2004	5,040,000
2003	4,000,000
2002	2,414,650
2001	2,400,000
2000	2,265,409
1999	2,184,383
1998	2,114,000
1997	2,114,000
1996	2,262,000
1995	2,230,000
1994	2,231,500
1993	2,341,167
1992	2,400,000
1991	2,925,000
1990	2,905,000
1989	3,000,000
1988	3,250,000

** Liability reverts back to the school district after the specific limit is reached.

*** Certain school districts have purchased additional coverage for general and auto liability.

Note 6 - Related Party Transactions

Middle Cities Education Association, an affiliated organization, performs various administrative services and pays certain expenses on behalf of the Trust. Expenses incurred by the Trust for these services totaled approximately $350,000 and $370,000 for the years ended June 30, 2008 and 2007, respectively. Included in these amounts are $136,433 and $209,897 of management fees for the years ended June 30, 2008 and 2007, respectively. The Trust had funds payable to the affiliated organization totaling $72,019 and $154,930 at June 30, 2008 and 2007, respectively.

Note 6 - Related Party Transactions (Continued)

Note Receivable - The Trust has a note receivable from the affiliated organization, the balance of which is $751,326 and $765,363 at June 30, 2008 and 2007, respectively. Payments of $4,142, including interest of 4.7 percent, are due monthly through December 2009, at which time any unpaid principal and interest are due in full. The annual payments are as follows:

2009		$ 14,712
2010		736,614
	Total	$ 751,326

Middle Cities Workers' Compensation Fund, an affiliated organization, reimburses the Trust for certain administrative costs. The total amount of expenses incurred was approximately $37,000 and $39,000 for the years ended June 30, 2008 and 2007, respectively. Affiliate receivables at June 30, 2008 and 2007 totaled $5,142 and $7,071, respectively.

Note 7 - Contingencies

Under the current service contract with the claims administrator, additional fees, which are based on the number of claims filed, could be assessed. Management's best estimate of additional fees to be charged is $26,836 and $68,024 at June 30, 2008 and 2007, respectively. These amounts are recorded in the financial statements.

Note 8 - Joint Venture

The Trust entered into a joint venture with Middle Cities Education Association (MCEA), a related party, and The North Central Association/Commission on Accreditation and School Improvement (NCACASI) for the purpose of owning joint office facilities within the greater Lansing, Michigan geographical area. Each member of the joint venture has a one-third interest in the joint venture. The Trust's investment is reported at its equity in the joint venture. Loss from the joint venture was $18,189 and $21,290 in 2008 and 2007, respectively.

Additional Information

plante moran

Plante & Moran, PLLC
Suite 500
2601 Cambridge Court
Auburn Hills, MI 48326
Tel: 248 375 7100
Fax: 248 375 7101
plantemoran.com

To the Board of Directors
Middle Cities Risk Management Trust

We have audited the financial statements of Middle Cities Risk Management Trust for the years ended June 30, 2008 and 2007. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information on pages 24 and 25 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The additional information on pages 26-29 is presented for the purpose of additional analysis and is also not a required part of the basic financial statements. The information on pages 24-29 has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 2, 2008

Praxity

Required Supplementary Information
Schedule of Claims Information for All Lines of Coverages

Claims Development Information

The table on page 25 illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the last 10 years. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Trust, including overhead and claims expense not allocable to individual claims.

(3) This line shows the Trust'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 the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section of 10 rows shows the cumulative amounts paid as of the end of successive years for each policy year.

(5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

(6) This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years. The computations include discounting for present value and a 90 percent confidence level for the contingency margin. A part of the annual change in estimated claims will be an increase attributable to accretion in the present value computation. That amount is not shown separately.

Required Supplementary Information
Schedule of Claims Information for All Lines of Coverages (Continued)

Fiscal Year Ended June 30	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
(1) Required contributions and investment revenue										
Earned	$ 5,958,952	$ 6,172,866	$ 6,670,587	$ 6,431,001	$ 9,864,499	$ 10,681,200	$ 11,327,073	$ 11,397,857	$ 13,114,730	$ 11,994,075
Ceded	1,957,357	2,016,585	2,190,980	2,483,456	3,860,354	4,018,450	4,121,787	3,831,456	4,793,452	4,629,593
Net earned	4,001,595	4,156,281	4,479,607	3,947,545	6,004,145	6,662,750	7,205,286	7,566,401	8,321,278	7,364,482
(2) Unallocated expenses	886,852	1,032,795	1,028,282	987,171	980,094	1,122,481	1,021,092	1,032,828	1,084,939	1,098,853
Policy Year Ended June 30										
(3) Estimated incurred claims and expenses - End of policy year.										
Incurred	3,765,511	4,714,434	4,323,262	3,494,559	4,497,298	4,308,671	4,424,359	4,252,833	5,446,299	3,824,373
Ceded	1,636,484	2,480,844	2,006,147	1,178,782	743,343	-	21,510	-	464,500	-
	2,129,027	2,233,590	2,317,115	2,315,777	3,753,955	4,308,671	4,402,849	4,252,833	4,981,799	3,824,373
(4) Paid (cumulative) as of										
End of policy year	758,038	1,459,516	996,877	525,609	689,726	995,956	1,166,212	944,996	1,316,575	1,071,938
One year later	1,809,030	2,055,245	1,590,533	1,465,310	1,322,288	1,516,610	2,034,318	1,591,870	2,542,328	-
Two years later	1,935,835	2,265,409	2,413,364	1,608,375	1,956,315	2,820,749	2,157,359	1,712,430	-	-
Three years later	2,113,063	2,265,358	2,400,000	1,637,851	2,551,720	2,854,920	2,532,858	-	-	-
Four years later	2,075,592	2,265,409	2,282,558	1,704,704	2,820,966	3,236,838	-	-	-	-
Five years later	2,104,087	2,265,409	2,400,000	1,743,922	3,209,555	-	-	-	-	-
Six years later	2,104,342	2,265,409	2,400,013	1,760,351	-	-	-	-	-	-
Seven years later	2,104,322	2,265,409	2,409,460	-	-	-	-	-	-	-
Eight years later	2,104,467	2,295,050	-	-	-	-	-	-	-	-
Nine years later	2,104,467	-	-	-	-	-	-	-	-	-
(5) Re-estimated ceded claims and expenses	26,298	2,601,559	1,374,490	-	1,568,317	5,400,000	114,142	-	271,851	-
(6) Re-estimated incurred claims and expenses										
End of policy year	2,129,027	2,233,590	2,317,115	2,315,777	3,753,955	4,308,673	4,402,849	4,252,833	4,981,799	3,824,373
One year later	2,154,480	2,250,826	2,296,459	2,386,928	3,580,393	3,593,181	3,507,071	2,861,257	3,681,529	-
Two years later	2,163,153	2,265,409	2,413,337	2,166,278	3,656,112	3,413,306	2,908,187	2,423,056	-	-
Three years later	2,193,967	2,265,358	2,400,000	2,001,671	3,724,146	3,161,467	3,166,649	-	-	-
Four years later	2,174,812	2,265,409	2,282,558	2,043,993	3,359,375	3,268,221	-	-	-	-
Five years later	2,152,286	2,265,409	2,400,000	2,107,732	3,271,618	-	-	-	-	-
Six years later	2,104,339	2,265,409	2,400,013	1,795,599	-	-	-	-	-	-
Seven years later	2,104,319	2,265,409	2,409,460	-	-	-	-	-	-	-
Eight years later	2,104,467	2,295,050	-	-	-	-	-	-	-	-
Nine years later	2,104,467	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims and expenses - End of policy year	(24,560)	61,460	92,345	(520,178)	(482,337)	(1,040,452)	(1,236,200)	(1,829,777)	(1,300,270)	-

Middle Cities Risk Management Trust

Statement of Operations and Changes in Net Assets by Policy Year
Inception through June 30, 2008

	Policy Year										
	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Revenue											
Member premium contributions	$ 7,662,346	$ 6,308,090	$ 6,590,971	$ 6,164,504	$ 5,774,981	$ 5,762,010	$ 5,537,664	$ 5,420,133	$ 5,497,593	$ 5,196,165	$ 5,010,634
Investment earnings	1,280,756	801 447	834,930	1,293,481	914,913	1,393,181	1,025,049	659,045	860,450	1,076,129	950,223
Recovery from third party	-	-	-	-	-	-	-	-	-	-	-
Total revenue	8,943,102	7,109,537	7,425,901	7,457,985	6,689,894	7,155,191	6,562,713	6,079,178	6,358,043	6,272,294	5,960,857
Expenses											
Provision for claims											
Payments	1,344,111	1,211,510	2,076,851	1,709,465	1,990,713	1,713,928	1,708,918	2,098,389	1,744,094	1,401,850	1,712,659
Addition to liabilities for unsettled claims and claims incurred but not reported	-	-	-	-	-	-	-	32,535	-	-	-
Excess insurance premiums	4,465,358	3,839,354	3,395,107	2,651,787	2,620,166	2,499,122	2,656,154	2,383,411	2,387,899	2,098,906	1,903,348
Service fees	148,633	228,755	345,704	331,667	332,209	312,511	346,512	367,905	477,042	393,161	405,820
Short-rate reimbursement	99,234	-	-	-	-	-	-	-	-	-	-
Administrative expenses											
Salary, wages, and fringe benefits	71,262	69,688	129,119	161,861	189,512	193,637	216,065	168,431	144,059	186,953	188,704
Taxes and insurance	70,694	60,749	55,155	28,486	15,177	16,165	19,242	15,511	12,893	14,122	12,132
Professional fees	5,409	21,739	60,502	46,366	31,931	35,400	34,800	29,510	37,254	39,746	37,961
Office expenses	95,237	72,944	103,057	95,162	108,736	113,843	156,494	152,779	165,499	148,784	175,535
Building fund expense	80,288	-	-	-	-	-	-	-	-	-	-
Organizational costs	41,853	-	-	-	-	-	-	-	-	-	-
Meetings and travel	-	-	30,730	37,478	47,538	41,972	58,232	40,013	38,550	46,329	48,666
STE program expense	-	-	-	33,604	11,095	6,110	7,958	5,203	19,095	15,885	9,139
Other	95,476	37,021	33,251	13,148	19,769	14,439	11,263	11,900	36,782	48,326	31,859
Total expenses	6,517,555	5,541,760	6,229,476	5,109,024	5,366,846	4,947,127	5,215,638	5,305,587	5,063,167	4,394,062	4,525,823
Operating Income	2,425,547	1,567,777	1,196,425	2,348,961	1,323,048	2,208,064	1,347,075	773,591	1,294,876	1,878,232	1,435,034
Nonoperating Expenses											
Distributions to members	2,090,699	1,568,244	1,198,449	2,348,961	1,323,048	2,208,064	1,347,075	693,333	1,131,165	1,540,367	1,023,933
Loss from investment in real estate joint venture	-	-	-	-	-	-	-	-	-	-	-
Total nonoperating expenses	2,090,699	1,568,244	1,198,449	2,348,961	1,323,048	2,208,064	1,347,075	693,333	1,131,165	1,540,367	1,023,933
Equity Transfer	-	467	2,024	-	-	-	-	-	-	(2,491)	-
Member Contribution	-	37,876	41,063	171,066	128,262	377,405	319,669	175,166	-	-	-
Net Assets	**$ 334,848**	**$ 37,876**	**$ 41,063**	**$ 171,066**	**$ 128,262**	**$ 377,405**	**$ 319,669**	**$ 255,424**	**$ 163,711**	**$ 335,374**	**$ 411,101**

Middle Cities Risk Management Trust

Statement of Operations and Changes in Net Assets by Policy Year (Continued)
Inception through June 30, 2008

	Policy Year									
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Revenue										
Member premium contributions	$ 5,104,322	$ 5,130,890	$ 5,538,400	$ 5,940,710	$ 8,797,744	$ 10,207,094	$ 10,609,482	$ 10,698,631	$ 11,318,139	$ 11,303,400
Investment earnings	383,397	186,645	480,678	506,594	616,547	737,422	736,898	575,895	698,515	137,141
Recovery from third party	-	250,000	-	-	-	-	-	-	-	-
Total revenue	5,487,719	5,567,535	6,019,078	6,447,304	9,414,291	10,944,516	11,346,380	11,274,526	12,016,654	11,440,541
Expenses										
Provision for claims										
Payments	2,104,467	2,295,050	2,409,460	1,760,351	3,209,555	3,236,838	2,532,858	1,712,430	2,542,328	1,071,938
Addition to liabilities for unsettled claims and claims incurred but not reported	-	-	-	35,248	62,063	31,383	633,791	710,626	1,139,201	2,752,435
Excess insurance premiums	1,957,357	2,039,835	2,190,980	2,492,794	3,902,995	3,999,774	4,121,787	3,831,456	4,793,452	4,629,593
Service fees	441,779	527,725	499,747	424,788	476,335	428,892	425,920	454,028	461,660	453,744
Short-rate reimbursement	-	-	-	-	-	-	-	-	-	-
Administrative expenses										
Salary, wages, and fringe benefits	187,485	162,945	170,350	212,613	207,486	182,022	183,717	148,740	122,789	184,584
Taxes and insurance	28,556	27,079	21,862	32,929	33,604	34,064	29,630	44,790	23,568	15,861
Professional fees	27,931	60,915	54,718	45,196	49,015	68,814	68,134	66,495	191,572	228,900
Office expenses	143,615	145,055	157,176	211,915	215,071	257,623	270,704	272,753	263,996	195,938
Building fund expense	-	-	-	-	-	-	-	-	-	-
Organizational costs	-	-	-	-	-	-	-	-	-	-
Meetings and travel	41,045	45,716	47,903	35,366	28,004	36,405	36,290	32,079	16,134	23,173
STE program expense	10,771	9,926	3,600	493	8,427	1,806	5,793	5,418	234	-
Other	14,550	49,861	43,529	3,114	5,190	36,736	4,865	7,893	1,826	445
Total expenses	4,957,556	5,364,107	5,599,325	5,254,807	8,197,745	8,314,357	8,313,489	7,286,708	9,556,760	9,556,611
Operating Income	530,163	203,428	419,753	1,192,497	1,216,546	2,630,159	3,032,891	3,987,818	2,459,894	1,883,930
Nonoperating Expenses										
Distributions to members	358,874	159,813	286,048	296,195	386,779	1,220,402	1,000,000	-	-	-
Loss from investment in real estate joint venture	-	-	-	-	-	-	-	29,108	21,290	18,189
Total nonoperating expenses	358,874	159,813	286,048	296,195	386,779	1,220,402	1,000,000	29,108	21,290	18,189
Equity Transfer	-	-	-	(33,805)	3,805	30,000	-	-	-	-
Member Contribution	-	-	-	-	-	-	-	-	-	-
Net Assets	$ 171,289	$ 43,615	$ 133,705	$ 862,497	$ 833,572	$ 1,439,757	$ 2,032,891	$ 3,958,710	$ 2,438,604	$ 1,865,741

Middle Cities Risk Management Trust

Statement of Operations and Changes in Net Assets by Policy Year
Year Ended June 30, 2008

	Policy Year										
	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Revenue											
Member premium contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment earnings	-	-	-	-	-	-	-	2,855	12,457	25,520	31,283
Total revenue	-	-	-	-	-	-	-	2,855	12,457	25,520	31,283
Expenses											
Provision for claims:											
Payments	-	-	-	-	-	-	-	375	-	-	-
Addition to liabilities for unsettled claims and claims incurred but not reported	-	-	-	-	-	-	-	(6,233)	-	-	-
Excess insurance premiums	-	-	-	-	-	-	-	-	-	-	-
Service fees	-	-	-	-	-	-	-	-	-	-	-
Administrative expenses											
Salary, wages, and fringe benefits	-	-	-	-	-	-	-	-	-	-	-
Taxes and insurance	-	-	-	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-	-	-	-
Office expenses	-	-	-	-	-	-	-	-	-	-	-
Meetings and travel	-	-	-	-	-	-	-	-	-	-	-
STE program expense	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	(5,858)	-	-	-
Operating Income (Loss)	-	-	-	-	-	-	-	8,713	12,457	25,520	31,283
Nonoperating Expenses											
Distributions to members	-	-	-	-	-	-	-	-	166,644	341,383	418,466
Loss from investment in real estate joint venture	-	-	-	-	-	-	-	-	-	-	-
Total nonoperating expenses	-	-	-	-	-	-	-	-	166,644	341,383	418,466
Net Assets - Beginning of year	334,848	37,876	41,063	171,066	128,262	377,405	319,669	246,711	317,898	651,237	798,284
Net Assets - End of year	$ 334,848	$ 37,876	$ 41,063	$ 171,066	$ 128,262	$ 377,405	$ 319,669	$ 255,424	$ 163,711	$ 335,374	$ 411,101

Middle Cities Risk Management Trust

Statement of Operations and Changes in Net Assets by Policy Year (Continued)
Year Ended June 30, 2008

	Policy Year										
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	Total
Revenue											
Member premium contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,303,400	$ 11,303,400
Investment earnings	13,034	5,598	10,897	31,796	32,070	99,321	122,206	133,105	33,392	137,141	690,675
Total revenue	13,034	5,598	10,897	31,796	32,070	99,321	122,206	133,105	33,392	11,440,541	11,994,075
Expenses											
Provision for claims											
Payments	-	29,641	9,447	16,429	388,589	381,918	375,499	120,560	1,225,753	1,071,938	3,620,149
Addition to liabilities for unsettled claims and claims incurred but not reported	-	-	-	(328,562)	(476,346)	(275,164)	(117,037)	(558,761)	(2,526,023)	2,752,435	(1,535,691)
Excess insurance premiums	-	-	-	-	-	-	-	-	-	4,629,593	4,629,593
Service fees	-	-	-	-	-	-	-	(3,792)	-	453,744	449,952
Administrative expenses											
Salary, wages, and fringe benefits	-	-	-	-	-	-	-	-	-	184,584	184,584
Taxes and insurance	-	-	-	-	-	-	-	-	-	15,861	15,861
Professional fees	-	-	-	-	-	-	-	-	-	228,900	228,900
Office expenses	-	-	-	-	-	-	-	-	-	195,938	195,938
Meetings and travel	-	-	-	-	-	-	-	-	-	23,173	23,173
STE program expense	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	445	445
Total expenses	-	29,641	9,447	(312,133)	(87,757)	106,754	258,462	(441,993)	(1,300,270)	9,556,611	7,812,904
Operating Income (Loss)	13,034	(24,043)	1,450	343,929	119,827	(7,433)	(136,256)	575,098	1,333,662	1,883,930	4,181,171
Nonoperating Expenses											
Distributions to members	174,358	74,542	145,713	296,195	386,779	1,220,402	1,000,000	-	-	-	4,224,482
Loss from investment in real estate joint venture	-	-	-	-	-	-	-	-	-	18,189	18,189
Total nonoperating expenses	174,358	74,542	145,713	296,195	386,779	1,220,402	1,000,000	-	-	18,189	4,242,671
Net Assets - Beginning of year	332,613	142,200	277,968	814,763	1,100,524	2,667,592	3,169,147	3,383,612	1,104,942	-	16,417,680
Net Assets - End of year	$ 171,289	$ 43,615	$ 133,705	$ 862,497	$ 833,572	$ 1,439,757	$ 2,032,891	$ 3,958,710	$ 2,438,604	$ 1,865,741	$ 16,356,180