



**Nevada Public Agency Insurance Pool
Public Agency Compensation Trust**
201 S. Roop Street, Suite 102
Carson City, NV 89701-4779
Toll Free Phone (877) 883-7665
Telephone (775) 885-7475
Facsimile (775) 883-7398

**Minutes of Meeting of the
Audit Committee
Public Agency Compensation Trust
Date: October 26, 2005**

1. Roll

Audit Committee Members Present: Bruce Brooks, Marilou Walling, Cash Minor, Bob Kenney, Don Tibbals; Members Absent: None

Since a quorum of the Audit Committee was present, Chairman Brooks called the meeting to order.

PACT Executive Committee Members Present: Alan Kalt, Claudette Springmeyer, Cash Minor, Paul Johnson, Toni Inserra and Roger Mancebo; Members Absent: Mike Tourin, Linda Bingaman

Chairman Kalt called the PACT Executive Committee to order following the conclusion of the Audit Committee actions.

2. Action Item: Approval of Minutes of Meeting of December 7, 2004

In response to Chairman Brooks question, Wayne Carlson said that he had omitted the minutes in the email distribution to the committees, so action could not be taken until a future meeting.

3. Action Item: Acceptance of Auditor's report and action on recommendations

Michael Bertrand reviewed the financial statements and footnotes, pointing out the substantial increase in the net assets primarily due to favorable reductions in prior years' reserves. He noted that he and the new actuary spent considerable time going over the actuarial projections to ensure that they were consistent with prior actuarial methods so that the positive reserve changes would not be attributable to any difference in actuarial methods. He noted that investment income improved relative to the prior year as well.

Michael then turned to his Audit Committee Letter and reviewed his findings and recommendations, noting those that were repeated from the prior year and still needed follow through. Member assessments receivable and payable greater than 90 days still remained. The differences showed that \$49,870 in receivables had not been billed for fiscal year 2003-2004. In response to a question, Debra Connally commented that the amount was an aggregation of several smaller amounts that had not been booked and carried over to the subsequent fiscal year. She had done a reconciliation to discover and correct the problem and that these amounts would

be billed out in the next two weeks. Further, she indicated that these will be reconciled monthly in the future to avoid this problem.

Michael reiterated the need to continue transition of the accounting role of the members services administrator to a more supervisory role. His findings also included a missing signature card record at the bank for one authorized signer. Wayne Carlson commented that the card had been sent to the bank but was missing and would be redone. Michael noted that due to a management fee payment dated at the end of a month rather than the first of the month, 13 payments were made in the fiscal year. He recommended that the month be shown on the description for the check to avoid a repeat. He then commented on the passed accounting adjustments that netted to \$18,766, an amount that is well below the materiality level selected.

On motion and second to accept the auditor's report, the motion carried.

On motion and second to accept the Audit Committee letter, the motion carried.

4. Action Item: Acceptance of Audit

Chairman Brooks opened discussion on the audit. Alan Kalt commented that the substantial increase in the net assets, while positive, could lead to a misunderstanding that PACT's rates are too high and a reduction or refund should be considered. He expressed a need for fuller explanation of this to the members to clarify why it occurred. Doug Smith commented that it was important to recognize that it should be understood that if the reserves had developed adversely to the same degree, the net assets would be significantly reduced and that this demonstrates the volatility of workers compensation. This message needs to be explained to the members. Chairman Brooks commented that he noted some disclosure of the basis for these results was in the Management Discussion and Analysis, but that he thought the audit itself should include further explanation as well. Michael Bertrand said that the audit presented the notes in standard format, but that he could add further explanation in Note 11; however, he could not interpret the financial statements in doing so. Wayne Carlson offered to develop some explanatory language for Note 11 along with Michael and to distribute it to the committee for feedback. Chairman Brooks indicated that he did not see a need to have the committee act to approve the explanatory note, but would be willing to give feedback to staff and the auditor as needed.

On motion and second to accept the audit, the motion carried.

At this time, the PACT Executive Committee was convened by Chairman Kalt to take action on the audit. On motion and second to accept the Audit Committee's recommendations and to accept the audit, the motion carried.

5. Public comment

Both chairmen invited public comment, but none being made, closed this period.

6. Action Item: Adjournment

On motion and second to adjourn, the committees adjourned at approximately 2:30 p.m.