



Nevada Public Agency Insurance Pool
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 of
Nevada Public Agency Insurance Pool
Date: December 29, 2004**

1. Roll

Committee Members Present: Brian Elkins, Cash Minor, David Fulstone, Bob Kenney
Committee Members Absent: Marilou Walling, Bruce Brooks
Others Present: Michael Bertrand, Debra Connally, Wayne Carlson

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

On motion and second to approve the minutes, the motion carried.

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

Michael Bertrand reviewed key elements of the financial statements, noting that GASB 34 had been fully implemented with this audit. He highlighted changes in the titles of financial statements such as Balance Sheet now being called Statement of Net Assets. Key financial presentation elements included segregating restricted and non-restricted net assets to show that the building is a restricted asset since it is not part of operations. In addition, the cash flow statement is prepared on the direct method rather than the indirect method. The Income Statement, now called the Statement of Revenues, Expenses and Changes in Net Assets, separates operating from non-operating net assets. Another addition is the Management Discussion & Analysis (MD & A) that was prepared by Wayne Carlson as an explanation of the financial statements from management's viewpoint. Mr. Bertrand commented that his role with the MD & A is restricted to reviewing it for consistency with the financial statements and that he is not permitted to assist management with writing it.

Mr. Bertrand noted that the POOL incurred a double financial hit this year with a significant reduction in investment earnings when marked to market coupled with an increase in prior years' claims reserves of over \$1,000,000. While this double hit resulted in an overall decrease in net assets, it also reveals the underlying financial strength of the POOL in handling such a situation. He noted that the investments, if held to maturity, would yield positive results over time, but that GASB requires that they be stated at market value to show

the value if they had to be liquidated to pay operating expenses. Wayne Carlson commented that normally the POOL has been able to hold investments to maturity. He also noted that he and the claims administrator are examining the causes of the reserves increases and that he was planning an independent claims audit that also will look at the reserves.

Mr. Bertrand then reviewed his Management/Audit Committee Letter noting the testing, materiality levels and audit adjustments he recommended. He recommended further segregation of duties within the accounting function and continued development of Debra Connally's supervisory role over the accounting functions. Wayne Carlson commented that these same recommendations were made with respect to the PACT audit and were being implemented.

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

4. Action Item: Acceptance of Audit

Chairman Elkins asked for any discussion or questions regarding the audit. It was noted that the MD & A had a typographical error on the first page with repeated words "prior year" and asked that it be corrected. Mr. Bertrand agreed to incorporate that change.

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

5. Action Item: Adoption of Audit Committee Policy on Fraud Risk Reduction

Chairman Elkins opened discussion on the proposed policy statement. Wayne Carlson commented that as a result of the staff brain storming session with the auditor about fraud prevention and the need for a policy and discussions with the Audit Committee at its last meeting, he found sample fraud risk reduction policies and drafted this proposal as a result. The proposed policy had been reviewed with staff and the auditor for input as well. Chairman Elkins asked for any comments or suggestions by the committee. Hearing none, he called for a motion to adopt.

On motion and second to adopt the policy as proposed, the motion carried.

6. Public comment

Chairman Elkins opened the meeting for public comment. Hearing none, he closed the public comment period.

7. Action Item: Adjournment

On motion and second to adjourn, the meeting adjourned at about 2:00 p.m.