NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2007 and 2006

CONTENTS

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Independent Auditor's Report

To the Board of Directors
Nevada Public Agency Insurance Pool

I have audited the accompanying statement of net assets of the Nevada Public Agency Insurance Pool ("Pool") for the years ended June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets, and the statements of cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 disclosed 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Nevada Public Agency Insurance Pool for years ended June 30, 2007 and 2006 and the results of its operations and its 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 is not required part of the basic financial statement, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedure, which consisted principally of inquires of management regarding the methods of measurements and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The supplemental section includes the 10 Year Claims Development schedule and is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I express no opinion on it.

November 19, 2007
Carson City, Nevada

Management's Discussion and Analysis

Purpose:
To further understanding of significant financial issues, this Nevada Public Agency Insurance Pool discussion and analysis a) provides an overview of the POOL's financial activities, b) identifies significant changes in the POOL's financial position and its ability to address subsequent year financial challenges, and c) provides insights into the long-term financial viability of the POOL.

Background:
As a result of changes in the Governmental Accounting Standards Board (GASB) requirements set forth in GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*, implementation begins with this financial year of the POOL. The POOL's financial information must be accompanied by enhanced analysis, both short and long term, and explanations of significant financial statement elements. Since the Nevada Public Agency Insurance POOL operates as an enterprise created pursuant to NRS 277, the Interlocal Cooperation Act, its financial statements will be presented in a manner that reflects its operations much like a private company.

Using this Annual Report:
Since the financial statements report information about the POOL using accounting methods similar to those used by private sector organizations, these statements offer short and long term financial information about the POOL's activity. The Statement of Net Assets includes all of the POOL's assets and liabilities and information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluation of the capital structure and for assessing the liquidity and financial flexibility of the POOL.

Current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the success of the POOL's operations for the fiscal year compared to the previous year and can be used as a measure of the POOL's credit worthiness and whether POOL successfully recovers its costs through its sources of revenue.

The Statement of Cash Flows serves to provide information about the POOL's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations and investments. It also discloses from where cash comes, for what it was used and the change in cash balance during the reporting period. Since the POOL incurs financial obligations to pay for claims that occurred in the past from current year resources and at the same time receives revenue that it must retain for payment of future claims from future resources, cash flow may vary significantly from year to year.

Financial Highlights:
By board policy, the POOL is audited each year by an independent auditor. Since its inception on May 1, 1987 and continuing through this fiscal year, the independent auditor's report offers an unqualified opinion on the financial statements. Such an opinion reflects the highest opinion that can be obtained from an independent auditor.

Total Assets of the POOL increased from $21,000,513 as of fiscal year end June 30, 2006 to $25,807,506 as of fiscal year end June 30, 2007. During previous fiscal years 2001 and 2002, the board purchased land and built its office building located at 201 S. Roop Street, Carson City, Nevada. As a result, $2,098,720 of the total assets for fiscal year end June 30, 2007 consists of capital assets.

Included in the total assets is the POOL's investment in fiscal year ending June 30, 2006 in starting its own non-profit captive mutual insurance company, Public Risk Mutual, in the amount of $1,000,000, an amount to be amortized over 10 years. At June 30, 2007, POOL increased its investment in Public Risk Mutual to $2,000,000. Public Risk Mutual provided reinsurance to the POOL for certain property and liability coverage during this year. Although it operates independently, it is owned by POOL members and its board of directors consists of key leaders from the POOL board including its Fiscal Officer.

Total unpaid claims and claims adjustment expenses increased from $8,766,000 for fiscal year end June 30, 2006 to $10,258,000 for fiscal year end June 30, 2007, an increase of $1,492,000. A substantial portion of this change arises from decreases in provisions for insured events of prior years in the amount of $3,161,000 offsetting increases in reserves for events of the current year in the amount of $4,653,000 for a net increase of $1,492,000 for the year ended June 30, 2007.

The POOL's primary revenue source comes from Member contributions to the POOL's Loss Fund, administrative budget and excess insurance and reinsurance costs. Rental income and interest income on investments constitute secondary revenue sources.

Operating revenues increased from $11,719,575 as of fiscal year end June 30, 2006 to $12,600,972 as of fiscal year end June 30, 2007, an increase of $881,397 (7.5%). Operating expenses increased from $7,864,349 as of fiscal year end June 30, 2006 to $10,880,055 as of fiscal year end June 30, 2007, an increase of $3,015,706 or 33%. Overall operating net assets decreased from $3,855,226 for fiscal year ended June 30, 2006 to $1,720,917 for fiscal year ended June 30, 2007, a decrease of $2,134,309 in one year, primarily as a result of increases in current year claims and claims adjustment expenses and a smaller decrease in prior year claims and claims adjustment expenses than the prior fiscal year.

Non-operating assets net of investment expenses for fiscal year ended June 30, 2007 increased by $1,118,372 compared to June 30, 2006 on a portfolio of about $19 million invested when marked to market value. POOL is restricted by Nevada statutes to invest in governmental securities in the same manner as other political subdivisions. Securities, while marked to market value for the financial statement, normally are held to maturity and management anticipates earning full coupon rates for most of the investments.

Financial Analysis:
In order to enhance analysis, comparative information is provided for assets, liabilities, net equity, revenues and expenses in the chart following this narrative. Prior years, while not subject to GASB 34 requirements, are shown in a manner that, in all material respects, reflects an accurate comparison.

The benchmarks shown resulted from a pooling and captives' industry study conducted a few years ago by Tillinghast and provides a useful tool to facilitate management's analysis and understanding of the financial results. Other performance indicators may be used by insurance companies but are not necessarily useful comparative indicators for risk pools.

Assets:
Total assets continued to grow steadily over the past several years from $4,046,171 in fiscal year ending June 30, 1997 to $25,807,506 for fiscal year ended June 30, 2007. The increase in total assets between fiscal years ending June 30, 2006 and June 30, 2007 was $4,806,993, a 23% increase. This strong asset base enables the POOL to absorb adverse fluctuations in claims reserve development and investment income declines (both of which occurred in other fiscal years) without significantly impairing its ability to sustain operations or causing its key performance indicators to go outside of the benchmark ranges. It also enables the POOL to retain additional risk and to form Public Risk Mutual, thus lowering the costs of excess insurance or reinsurance.

Revenues, Expenses and Changes in Assets:
Operating revenues increased from $11,719,575 as of fiscal year end June 30, 2006 to $12,600,972 as of fiscal year end June 30, 2007, an increase of $881,397or 7.5% due largely to increased payrolls of members and a modest rate increase.

Non-operating assets net of investment expenses for fiscal year ended June 30, 2007 increased by $1,184,921 marked to market value on a $19 million portfolio compared to $66,549 on a portfolio of $17 million invested for fiscal year ended June 30, 2006 when marked to market value. Since POOL normally holds its investments to maturity, it is likely to achieve the coupon rates over time and present lowered market value does not present a significant problem.

Operating expenses increased from $7,864,349 as of fiscal year end June 30, 2006 to $10,880,055 as of fiscal year end June 30, 2007, an increase of $3,015,706 or 38%. Loss and loss adjustment expenses increased by $2,392,935. Excess insurance premiums increased by $400,161. POOL administration expenses increased by $114,585 of which $51,993 came from increased member education and training expenses.

Actuarial
The actuarial analysis for the current fiscal year revealed a $2,391,935 increase in prior years' estimated incurred losses. In analyzing the factors leading to this change, several factors appear to apply: 1) there were several large property losses in the current year; 2) reductions in prior years' liability reserves were less than fiscal year ending June 30, 2006; 3) ASC's (POOL's claims administrator) effective liability litigation management approach continues to help reduce reserves; and 4) loss control efforts, including from POOL/PACT Human Resources has mitigated some of the risks.

Both property and casualty coverages can experience significant volatility particularly when the retention levels per loss are high. Because the POOL retains a substantial portion of the property risk ($200,000 per loss) and of the casualty risk ($500,000 per loss) it is important to the long term viability of the POOL to be able to meet its financial obligations to its Members that the POOL grow its net assets. Insurance market conditions periodically make it important to be able to increase our retentions, which results in increased volatility that must be cushioned strongly. POOL management selected a 75% actuarial confidence level as a prudent level to develop a strong financial position in keeping with the POOL Board's goals of creating and sustaining a durable financial position.

Capital Assets and Debt Administration:
With the POOL's purchase of land and completion of construction of its headquarters building, the POOL's capital assets comprise 8.1% of its total assets. The building generates rental income and also diversifies the POOL's investments. The POOL remains debt free.

Creation by the POOL of Public Risk Mutual, its own non-profit captive mutual insurance company, by investing $1,000,000 initially and another $1,000,000 during this fiscal year ending June 30, 2007 created an additional capital asset that comprises 7.8% of the POOL's total capital assets. An additional $1,000,000 investment in Public Risk Mutual occurred subsequent to this fiscal year end and thus will increase the investment to 11.6% of total capital assets.

Economic Factors:
For fiscal year ending June 30, 2007, economic conditions indicate a mixed economy. Medical inflation generally is running in double digits nationally and continues to affect the underlying costs of claims payable by POOL. Based upon claims activity and the tendency of plaintiffs to appeal judgments more often, litigation costs continue to rise. The POOL's defense costs have risen as a result of the types of cases being filed and the increase in the hourly rate that assures retention of competent counsel to handle civil rights cases in particular.

Fiscal year ending June 30, 2007 evidenced changing insurance market conditions for property and liability reinsurance. Rates in property coverage moderated from previous upward trends. Liability rates settled in with a slight reduction. Public Risk Mutual increased its share of the property and casualty reinsurance. POOL also continued its membership in County Reinsurance, Ltd., a captive mutual insurer in which POOL has a financial interest, for liability coverage reinsurance.

The governmental securities markets increased investment income reversed from the prior year's miniscule return. POOL intends to keep most of its funds invested to maturity, a strategy which will enable the POOL to obtain the coupon rate as they mature, thus offsetting some of the marked to market value reductions. Management adjusted the mix of investments as market conditions evidenced opportunities to enhance results. Shifting to shorter term instruments with better returns and liquidity helped improve results.

Subsequent Events:
An additional $1,000,000 investment in Public Risk Mutual occurred subsequent to this fiscal year end and thus will increase the investment to $3,000,000 or 11.6% of total POOL capital assets.

Requests for Information:
While the purpose of this discussion and financial report is to provide a general overview of the POOL's financial position, requests for additional financial information should be addressed to Wayne Carlson, Executive Director, 201 S. Roop, Suite 102, Carson City, NV 89701-4790.

Wayne Carlson, Executive Director
Nevada Public Agency Insurance Pool

Key Financial Ratios	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Total Revenue	$ 10,654,954	$ 11,131,225	$ 11,160,241	$ 11,719,575	$ 12,600,972
Total Income (excludes special reserve adjustments 96 & 98)	$ 1,256,911	$ (453,530)	$ 1,377,700	$ 3,921,775	$ 2,905,838
Net Operating Income	$ 539,285	$ (487,562)	$ 969,610	$ 3,855,226	$ 1,720,917
Net Investment Income	$ 717,626	$ 34,032	$ 408,090	$ 66,549	$ 1,184,921
Total Assets	$ 12,692,777	$ 15,085,028	$ 17,651,699	$ 21,000,513	$ 25,807,506
Total Liabilities	$ 5,360,297	$ 8,206,078	$ 9,395,049	$ 8,822,088	$ 10,723,243
Net Assets	$ 7,332,480	$ 6,878,950	$ 8,256,650	$ 12,178,425	$ 15,084,263
Net Assets to SIR (Board target: 12:1)	20.9	19.7	16.5	24.4	30.2
SIR to Net Assets (Benchmark: captives <.10; group capitves <.25)	0.05	0.05	0.06	0.04	0.03
% Assets attributable to Net Assets	57.8%	45.6%	46.8%	58.0%	58.4%
Total assets/total liabilities	2.37	1.84	1.88	2.38	2.41
Revenues to Net Assets (Benchmark: <2.5:1 and >0	1.45	1.62	1.35	0.96	0.84
Loss Reserves to Net Assets (discounted): Benchmark <3:1 and >0	0.72	1.18	0.44	0.12	0.10

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Net Assets
June 30, 2007 and 2006

ASSETS	**2007**	**2006**
Current assets:		
Cash and equivalents	$ 2,355,219	$ 602,096
Investments – Note C	19,212,869	17,001,375
Deductibles receivable	6,691	6,691
Prepaid expenses	19,590	61,894
Specific and aggregate recoverables	401,077	367,220
Other receivables	13,340	20,348
Total current assets	22,008,786	18,059,624
Capital assets:		
Land, building and equipment – Note D	2,340,244	2,327,849
Less accumulated depreciation	(241,524)	(186,960)
	2,098,720	2,140,889
Other assets:		
Investment in Public Risk Mutual – Note I	2,000,000	1,000,000
Less amortization	(300,000)	(200,000)
Total non-current assets	1,700,000	800,000
Total Assets	**$25,807,506**	**$21,000,513**
	========	========
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	$ 465,243	$ 56,088
Current portion of reserve for claims and adjustment expenses - Note G	4,330,714	3,726,617
Total current liabilities	4,795,957	3,782,705
Non-current liabilities:		
Reserve for claims and claims adjustment expenses – Note G	5,927,286	5,039,383
Total non-current liabilities	5,927,286	5,039,383
Net assets, unrestricted	12,985,543	10,037,536
Net assets, invested in capital assets	2,098,720	2,140,889
Total net assets	15,084,263	12,178,425
Total Liabilities & Net Assets	**$25,807,506**	**$21,000,513**
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See accompanying notes to basic financial statements

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Revenues, Expenses and Changes in Net Assets
For Years Ended June 30, 2007 and 2006

	2007	2006
Operating revenues:		
Premiums written	$12,369,738	$11,489,413
Rental income	228,023	228,840
Other income	3,211	1,322
Total revenues	12,600,972	11,719,575
Operating expenses:		
Losses and loss adjustment expenses	3,865,829	1,473,894
Excess insurance premiums	3,758,623	3,358,462
Pooling and loss control fees	510,000	494,886
Third party administrator fees	441,510	353,413
Agent commissions	478,063	472,938
Taxes written	4,667	3,978
Total program expenses	9,058,692	6,157,571
Management fees	396,756	396,756
Building maintenance and utilities	40,545	32,411
Depreciation	54,563	54,563
Amortization	100,000	100,000
Travel	30,755	18,203
Casualty insurance	37,972	37,416
Operating expenses	274,231	256,748
Legal expenses	37,926	15,752
Loss control awards	18,750	20,250
Consultant appraisals	62,643	59,450
Member education & training	767,222	715,229
Total pool administration expenses	1,821,363	1,706,778
Total operating expenses	10,880,055	7,864,349
Increase in operating net assets	**$ 1,720,917**	**$ 3,855,226**
Increase in non-operating net investment income	1,184,921	66,549
Increase in net assets	**$ 2,905,838**	**$ 3,921,775**
Net assets, beginning of year	12,178,425	8,256,650
Net assets, end of year	**$15,084,263**	**$12,178,425**
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See accompanying notes to basic financial statements

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2007 and 2006

Cash Flows from Operating Activities:	**2007**	**2006**
Premiums written	$12,369,738	$11,489,413
Rental income	228,023	228,840
Other revenues	3,211	1,322
Payment for claims	(2,373,829)	(1,961,000)
Payment to vendors	(7,435,052)	(6,249,680)
Net Cash Provided from Operating Activities	2,792,091	3,508,895
Cash Flows from Investing Activities:		
Interest, dividends and realized net gains on investments	1,184,921	66,549
Purchases of investments	(3,211,494)	(5,000,000)
Proceeds from sales of investments	1,000,000	1,600,000
Net Cash Used for Investing Activities	(1,026,573)	(3,333,451)
Cash Flows from Capital Purchases		
Increase in purchases of equipment	(12,395)	-
Net Cash Used for Capital Activities	(12,395)	-
Increase (decrease) in Cash and Cash Equivalents	1,753,123	275,539
Cash and Cash Equivalents, beginning of fiscal year	602,096	326,557
Cash and Cash Equivalents, years ended June 30	**$2,355,219**	**$ 602,096**
	========	=======

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating net income (loss)	$1,720,917	$3,855,226
Adjustments to reconcile operating income to net cash provided by operating activities:		
Deductible receivable	-	2,798
Depreciation	54,564	54,563
Prepaid expense	42,304	(14,331)
Specific excess recoverable	(33,857)	86,512
Other receivables	7,008	(2,912)
Investment in Public Risk Mutual	(1,000,000)	-
Amortization	100,000	100,000
Accounts payable	409,155	(4,961)
Claims and loss adjustment expenses	1,492,000	(568,000)
Net Cash Provided by Operating Activities	**$2,792,091**	**$3,508,895**
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See accompanying notes to basic financial statements

NOTE A - NATURE OF ORGANIZATION

The Nevada Public Agency Insurance Pool (Pool) is a quasi-governmental entity formed by an intergovernmental agreement between political subdivisions of the state of Nevada and organized to operate as a group self insurer. The purpose of the organization is to seek the prevention or lessening of casualty losses to its members and injuries to persons, which might result in claims being made against such members. In addition to self-funding and excess insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management support services.

The Pool is fully funded by member participants. Members file claims with ASC, which has been contracted to perform claims adjustments for the Pool.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Principles of Presentation</u>

The Nevada Public Agency Insurance Pool has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. POOL has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments.*

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises, where applicable, which may differ from the basis of accounting followed in statutory reporting.

Accounting principles generally accepted in the United States of America require 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

<u>Cash Equivalents:</u>

For purposes of the statement of cash flows, the Pool considers investments that mature within 90 days after the balance sheet date to be cash equivalents.

<u>Investment and Interest Income:</u>

Investments are recorded at fair market value. Interest income, realized and unrealized gains and losses are shown as net investment income.

The Pool is authorized, by state statutes, to make investments in bonds and debentures of the United States, bills and notes of the U.S. Treasury the maturities of which cannot be more than 10 years from date of purchase. The Pool is also authorized to purchase negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, the U.S. Postal Service and Government National Mortgage Association securities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deductible and Specific Excess Recoverable Receivables:

Deductibles receivable represents the portion of a claim to be collected from members.

Specific excess recoverables represents amounts to be collected from excess insurers on claims made by members against the Pool in excess of the Pool's retention.

Legal Fees:

Legal fees included in administration expenses are primarily for corporate legal work only; all legal expenses associated with a particular claim are charged directly to that claim's experience. Legal work on claims affects losses incurred and loss adjustment expenses.

Losses and Loss Adjustment Expenses:

Reserves for losses and allocated loss adjustment expenses are provided based on case basis estimates for losses reported and Pool's historical loss experience for claims incurred but not reported (IBNR). The liability for unpaid losses and loss adjustment expenses includes the estimated cost of investigating and settling all claims incurred as of the balance sheet date. Such amounts are determined on the basis of an evaluation of the Pool's independent consulting actuary. The liability for unpaid losses and loss adjustment expenses has not been discounted for the time value of money. Although such estimates are Pool's best estimates of the expected values, the actual results may vary from these values.

Member Loss Fund Contributions and Unearned Member Loss Fund Contributions:

Member contributions are collected in advance and recognized as revenue in the period for which insurance protection is provided. Contributions are allocated by PARMS with actuarial input.

Federal Income Taxes:

The Pool has received a determination letter from the Internal Revenue Service Stating the Pool's income is excludable from gross income for federal income tax purposes. The Pool is considered an exempt governmental agency in accordance with Internal Revenue Service Code Section 115.

NOTE C – CASH AND INVESTMENTS

The carrying amount of the Pool's deposits with financial institutions at June 30, 2007 and 2006 are $2,355,219 and $602,096 respectively.

A summary of cash and investments as of June 30, 2007 and 2006 is as follows:

	Fair value	
	2007	**2006**
Cash and equivalents	$ 2,355,219	$ 602,096
U.S. Government Securities	6,257,324	5,893,485
Mortgaged backed securities	6,760,845	8,286,214
Federal Home Loan Mortgages	2,826,643	590,436
Federal National Mortgage Assoc.	831,938	129,219
Miscellaneous government securities	1,744,153	1,959,678
Certificates of deposit with greater than 90 day maturities	600,000	-
Accrued Income	191,964	142,343
	$21,568,086	$17,603,471
	========	========

Contractual maturities at June 30, 2007 and 2006 are as follows:	**2007**	**2006**
Due 1 year or less	$ 3,147,183	$ 744,439
Due 1 – 5 years	10,332,721	7,516,586
Due 5-10 years	5,405,788	6,117,782
Due 10-20 years	1,810,086	1,369,896
Due in over 20 years	872,308	1,854,768
Total investments	$21,568,086	$ 17,603,471

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay with or without call or prepayment penalties. Financial institution balances at June 2007 and 2006 are $2,518,685 and $553,065, respectively.

	2007	**2006**
Amounts insured by FDIC	$100,000	$100,000
Amounts collateralized with securities held by the pledging Financial institution's trust department or its agent in the Pool's name	725,051	386,115
Securities held in trust by brokerage firm	1,693,634	115,981
Total deposits at financial institutions	$2,518,685	$602,096
	=======	=======

Pool maintains its cash, cash equivalents and investments in a commercial bank and a brokerage institution. All amounts in the commercial bank are insured by the FDIC or collateralized. Amounts at the brokerage firm are insured through SIPC and additional amounts are insured by the broker through an insurance company.

NOTE D – LAND, BUILDING AND EQUIPMENT

Building and land are reported at cost less accumulated depreciation. Depreciation is calculated on the straight line basis over the estimated useful lives of the assets. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations. Activity for the year ended June 30, 2007 was as follows:

	Estimated Useful life (years)	June 30, 2006	Additions	Dispositions	June 30, 2007
Land	-	$ 466,653	-	-	$ 466,653
Building and improvements	40	1,783,716	-	-	1,783,716
Furniture and equipment	5 - 7	77,480	12,395	-	89,875
		2,327,849	12,395	-	2,340,244
Accumulated depreciation		(186,960)	(54,563)	-	(241,523)
		$2,140,889	(42,168)	-	$2,098,721
		=======	=======	=======	=======

Property and Equipment activity for the year ended June 30, 2006 was as follows:

	Estimated useful life (years)	June 30, 2005	Acquisitions	Dispositions	June 30, 2006
Land	-	$ 466,653	-	-	$ 466,653
Building & improvements	40	1,783,716	-	-	1,783,716
Furniture and equipment	5 - 7	77,480	-	-	77,480
		2,327,849	-	-	2,327,849
Accumulated depreciation		(132,397)	(54,563)	-	(186,960)
		$2,195,452	(54,563)	-	$2,140,889
		=======	=======	=======	=======

NOTE E – RETENTION

Nevada Public Agency Insurance Pool (POOL) retains a portion of claims prior to the application of coverage provided by its excess or reinsurance contracts. The coverage limits provided by the Pool within its retention amounts are as follows:

Pool Limits:	2006-2007	2005-2006
Property blanket limit	$150,000	$200,000
Liability per Event	$500,000	$500,000
Monies & Securities per loss	$150,000	$150,000
Equipment breakdown	$50,000	$50,000

Should the cumulative losses paid within the Pool's retention in any one year exceed the Pool's loss fund contributions for that year, the balance would be payable from the Pool's equity.

NOTE F – EXCESS INSURANCE OR REINSURANCE

Nevada Public Agency Insurance Pool (Pool) offers limits as shown in the table below; however, Pool obtains various excess or reinsurance policies from several excess or reinsurance companies to bear a portion of the risks not retained by the Pool under its retention.

	2007	2006
Property limits		
Blanket limit of $300,000 per loss:	$300,000,000	$300,000,000
Earthquake Aggregate sub limit:	100,000,000	100,000,000
Flood Aggregate Sub limit:	100,000,000	100,000,000
Equipment Breakdown Sub limit:	60,000,000	60,000,000
Money & Securities (including Employee Dishonesty) Sub limit:	500,000	500,000
Liability Limits:		
Limits of liability (limits apply per “campus” rather than “per member” for school district members):		
Each and Every Event Limit:	10,000,000	10,000,000
Emergency Response to Pollution Sub limit	1,000,000	1,000,000
Aggregate limits:		
General Aggregate (per member)	13,000,000	13,000,000
Products/Completed Operations Aggregate (per member)	13,000,000	13,000,000
Wrongful Acts Aggregate (per member)	10,000,000	10,000,000
Law Enforcement Aggregate (per member)	13,000,000	13,000,000
Emergency Response to Pollution Aggregate Sub limit:	1,000,000	1,0000,00

NOTE G – UNPAID CLAIMS LIABILITIES

POOL estimates losses and loss adjustment expense based on historical experience and payment and reporting patterns. These estimates are based on data available at the time of the estimate and are reviewed by POOL's independent consulting actuary.

Inherent in the estimates of the ultimate liability for unpaid claims are expected trends in claim severity, claim frequency, and other factors that may vary as claims are settled. The amount and uncertainty in the estimates are affected by such factors as the knowledge of the actual facts and circumstances and amount of historical claims experienced relative to the development period that has been affected by the change in premium levels and increase in closing and settlement of claims.

As discussed in Note A, the POOL establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the POOL in the last two years:

	2007	2006
Incurred claims and claim adjustment expenses At the beginning of the fiscal year	$8,766,000	$9,334,000
Incurred claims and claim adjustment expenses:		
Provisions for insured events of current year	5,498,000	4,355,000
(Decreases) increase in provision for insured events of prior years	(1,632,171)	(2,881,106)
Total Incurred claim adjustment expenses	3,865,829	1,473,894
Payments:		
Claims and Claim Adjustment Expenses attributable to Insured Events of Current year	(845,000)	(434,000)
Claims and Claim Adjustment Expenses attributable to insured events of prior years	(1,528,829)	(1,607,894)
Total payments	(2,373,829)	(2,041,894)
Total unpaid claims and claims adjustment expenses at fiscal year end June 30	**$10,258,000**	**$8,766,000**

Current portion of the reserve, cash expected to be paid within 12 months, is $ 4,330,714 and the long-term portion is $ 5,927,286.

At June 30, 2007 and 2006, POOL recorded the liability for losses and loss adjustment expenses based on an estimate of its independent consulting actuary. The reserve balances were developed by an independent actuary and is management's best estimate of reserves at June 30, 2007 and 2006.

NOTE H - RELATED PARTY TRANSACTIONS

Beginning January 1, 2003, the Nevada Association of Counties (NACO) entered a lease agreement with POOL to lease office space at 201 S. Roop St in Carson City, Nevada through January 1, 2008. Amounts received for rent totaled $42,444 for the period July 1, 2006 through June 30, 2007.

NACO is a member of both POOL and PACT. Robert Hadfield and Andrew List, Executive Directors of NACO, were authorized to be the second signature on checks disbursed from the Pool's accounts. They and the association were not reimbursed for these services. PARMS provides accounting services to NACO and Wayne Carlson is authorized to be the second signature on checks disbursed from NACO's accounts.

A significant vendor, Larry Beller & Associates, provided human resources consultation services to POOL and PACT members in an effort to reduce liability and costs arising out of employment practices. Larry Beller & Associates was also a tenant in the building owned by the POOL and has signed a lease agreement with similar terms as those offered by NACO and PACT. The contract with Larry Beller & Associates was not renewed and expired June 30, 2006.

Public Agency Risk Management Services, Inc. (PARMS) is presently contracting with the POOL and PACT to provide management services. PARMS serves both the POOL and the PACT as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Contract fees paid for year ended June 30, 2007 was $396,756 and for year ended June 30, 2006 was $396,756.

Effective July 1, 2006, POOL jointly with PACT issued a two-year grant to Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of POOL, Wayne Carlson, and whose directors and officers consist solely of Wayne Carlson, to provide human resources management services to POOL and PACT Members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI.

An initial grant payment in the amount of $87,000 plus monthly installments at the end of each month in the amount of $95,000 comprise the first grant year total of $1,227,000. Then, $95,000 per month for each month in the second grant year comprises the second grant year total of $1,140,000. Pooling Resources, Inc. budgeted to pay POOL $74,160 for use of POOL space for PRI services as part of the grant expenditures for the first grant year.

NOTE I –INTEREST IN PUBLIC RISK MUTUAL COMPANY

In May of 2005, POOL's board of directors authorized the start up of a member-owned nonprofit captive mutual insurance company and capitalized the company with an initial $1,000,000 increasing it to $2,000,000 in the past fiscal year. The new company, named Public Risk Mutual, is domiciled in Nevada and as of September 1, 2005, became the excess property insurer for POOL. Some of the Public Risk Mutual's board members also serve as board members of POOL.

Public Risk Mutual was formed by members of POOL to reduce the costs of insurance, to obtain direct access to reinsurance, to provide broader coverage for policyholders, to broaden investment opportunities and to build equity to enable providing coverage not obtainable elsewhere.

NOTE I –INTEREST IN PUBLIC RISK MUTUAL COMPANY (continued)

As a condition of capitalization, but without any expectation that the funds will be returned, POOL required that prior to any distributions such as dividends, the capitalization must be repaid to POOL. Management considers the capitalization costs an intangible asset that can provide lower operating costs in the future and estimates that the savings in excess insurance costs to POOL will recoup the start up capital. Therefore, the POOL's interest in PRM will be amortized over 10 years.

NEVADA PUBLIC AGENCY INSURANCE POOL
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT (UNAUDITED)
EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - Year ended June 30,

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Required Contributions & Investment Income:										
Earned	$5,107,648	$5,211,626	$5,499,309	$6,518,276	$8,006,148	$10,688,528	$11,131,225	$11,568,331	$11,786,124	$13,785,893
Ceded	(1,823,332)	(1,983,539)	(2,218,600)	(1,996,347)	(2,624,815)	(3,677,614)	(4,057,661)	(3,718,455)	(3,358,462)	(3,758,623)
Net Earned	3,283,316	3,228,087	3,280,709	4,521,929	5,381,333	7,010,914	7,073,564	7,849,876	8,427,662	11,212,193
Unallocated Expenses	1,182,777	1,274,637	1,291,993	1,382,654	1,694,114	2,429,581	2,762,681	2,846,143	3,031,993	3,255,602
Estimated Incurred Claims & Expenses End of Policy Year:										
Incurred	1,549,000	1,633,000	1,933,000	1,901,000	2,714,000	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000
Ceded	-	-	(320,000)	-	-	-	-	-	-	-
Net Incurred	1,549,000	1,633,000	1,613,000	1,901,000	2,714,000	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000
Paid (cumulative) as of:										
End of Policy Year	279,778	195,383	360,294	391,563	400,285	637,074	287,229	862,908	434,000	845,000
One year	679,169	647,554	1,002,675	734,699	1,364,292	1,140,140	637,081	1,421,000	936,000	
Two Years Later	1,149,902	732,303	1,449,529	1,033,237	1,904,876	1,724,894	861,000	1,717,000		
Three Years Later	1,347,751	991,833	1,608,000	1,691,933	2,242,586	2,134,000	942,000			
Four Years Later	1,105,752	1,504,210	1,004,341	1,896,000	2,429,000	2,505,000				
Five Years Later	1,648,824	999,909	1,613,000	2,160,000	2,427,000					
Six Years Later	1,469,000	1,001,404	1,613,000	2,161,000						
Seven Years Later	1,493,211	996,000	1,613,000							
Eight Years Later	1,369,000	986,000								
Nine Years Later	1,469,000									
Re-estimated ceded claims & expenses	107,823	71,111	3,203,779	209,607	5,995,446	150,872	40,185	380,727	408,185	289,037
Re-estimated Claims & Expenses										
End of Policy Year	1,549,000	1,633,000	1,613,000	1,901,000	2,714,000	3,174,000	3,676,000	5,687,000	3,797,000	5,498,000
One Year Later	1,608,000	1,614,000	1,613,000	2,102,000	3,042,000	3,774,000	3,019,000	3,482,000	3,676,000	
Two Years Later	1,460,000	1,497,000	1,613,000	1,971,000	3,189,000	2,877,000	2,010,000	3,431,000		
Three Years Later	1,408,000	1,363,000	1,613,000	2,265,000	2,936,000	2,815,000	1,547,000			
Four Years Later	1,454,000	1,029,000	1,613,000	2,157,000	2,689,000	2,903,000				
Five Years Later	1,494,000	998,000	1,613,000	2,161,000	2,562,000					
Six Years Later	1,504,000	999,000	1,613,000	2,161,000						
Seven Years Later	1,501,000	996,000	1,613,000							
Eight Years Later	1,373,000	991,000								
Nine Years Later	1,476,000									
Increase (Decrease) in Estimated Claims & Expense from End of Policy Year	(73,000)	(642,000)	-	260,000	(152,000)	(421,422)	(2,206,413)	(195,034)	(679,000)	-