NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2008 and 2007

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, 2008 and 2007, 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, 2008 and 2007 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.

October 15, 2008
Carson City, Nevada

Management's Discussion and Analysis

Purpose:

To further the 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 $25,807,506 as of fiscal year end June 30, 2007 to $29,738,524 as of fiscal year end June 30, 2008. 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, $2,508,333 of the total assets for fiscal year end June 30, 2008 consists of capital assets.

Included in the total assets is the POOL's investment in starting its own non-profit captive mutual insurance company, Public Risk Mutual. Initially, in 2004, POOL invested $1,000,000, an amount to be amortized over 10 years. At June 30, 2008, POOL had increased its investment in Public Risk Mutual to $3,100,000. 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.

Total unpaid claims and claims adjustment expenses increased from $10,258,000 for fiscal year end June 30, 2007 to $12,871,000 for fiscal year end June 30, 2008, an increase of $2,613,000. A substantial portion of this change arises from increases in reserves for events of the current year in the amount of $1,434,000 for the year ended June 30, 2008.

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 decreased slightly from $12,600,972 as of fiscal year end June 30, 2007 to $12,489,052 as of fiscal year end June 30, 2008. Operating expenses increased from $10,880,055 as of fiscal year end June 30, 2007 to $13,000,281 as of fiscal year end June 30, 2008, an increase of $2,120,226 or 19%. Overall operating net assets decreased from $1,720,917 for fiscal year ended June 30, 2007 to a loss of $511,229 for fiscal year ended June 30, 2008, a swing of $2,232,146 in one year, primarily as a result of increases in current year incurred claims and claims adjustment expenses.

Non-operating assets net of investment expenses for fiscal year ended June 30, 2008 increased by $ 943,140 compared to June 30, 2007 on a portfolio of about $22 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 $29,738,524 for fiscal year ended June 30, 2008. The increase in total assets between fiscal years ending June 30, 2007 and June 30, 2008 was $3,931,018, a 15% 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 previous 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 enabled the POOL to retain additional risk and to form Public Risk Mutual, thus lowering the costs of excess insurance or reinsurance.

Creation by the POOL of Public Risk Mutual, its own non-profit captive mutual insurance company, by investing $1,000,000 initially and another $1,100,000 during this fiscal year ending June 30, 2008 created an additional capital asset that comprises 10.4% of the POOL's total assets. An additional $3,700,000 investment in Public Risk Mutual occurred subsequent to this fiscal year end and thus will increase the investment to 22.9% of total assets.

Revenues, Expenses and Changes in Assets:

Operating revenues decreased from $12,600,972 as of fiscal year end June 30, 2007 to $12,489,052 as of fiscal year end June 30, 2008, a decrease of $111,912 or 0.9% due largely to a modest rate reduction for some classifications.

Non-operating assets net of investment expenses for fiscal year ended June 30, 2008 increased by $943,140 when marked to market value on a $22 million portfolio compared to $1,184,921on a portfolio of $19 million invested for fiscal year ended June 30, 2007 when marked to market value. Since POOL normally holds its investments to maturity, it is likely to achieve the coupon rates over time.

Operating expenses increased from $10,880,055 as of fiscal year end June 30, 2007 to $13,000,281 as of fiscal year end June 30, 2008, an increase of $2,120,226 or 19%. Loss and loss adjustment expenses increased by $1,763,568. Excess insurance premiums decreased by $76,766. POOL administration expenses increased by $287,636 of which $191,667 came from increased amortization and $69,877 from increased member education and training expenses.

Actuarial

The actuarial analysis for the current fiscal year revealed a $1,734,000 increase in current years' estimated incurred losses. Factors applicable: 1) there were several large property losses in the current year, most notably the Wells earthquake that affected several members in that area; 2) prior years incurred reserves decreased only slightly; 3) claims payments increased by $642,568 combined for both current and prior years as a result of the shorter payout period on property losses and settlements on pending liability claims; 4) an increasing loss development trend for fiscal years ending 2006 and 2007 in both property and liability; and 5) strengthened case reserves.

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 and casualty risk, it is important to the long term viability of the POOL to be able to meet its financial obligations to its Members by growing 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 board policy requires 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 6.9% of its total assets. The building generates rental income and also diversifies the POOL's investments. The POOL remains debt free.

Economic Factors:

For fiscal year ending June 30, 2008, economic conditions indicated an uncertain economy. However, the economy deteriorated significantly subsequent to this fiscal year end and presently is in a highly volatile phase with federal intervention seeking to support the economy in order to stabilize it and reestablish confidence. POOL's investments have performed fairly well during this subsequent upheaval in light of the statutory requirements to invest in governmental securities.

Medical inflation generally is running in double digits nationally, property valuations are increasing, both of which 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, 2008 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, and with United Educators, a captive risk retention group in which POOL has a financial interest, for liability coverage reinsurance.

The governmental securities markets increased investment income from the prior year by nearly $1,000,000. 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 fluctuations that can occur. 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 $3,700,000 investment in Public Risk Mutual occurred subsequent to this fiscal year end and thus will increase the investment to $6,800,000 or 22.9% of total POOL 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	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Total Revenue	$ 11,131,225	$ 11,160,241	$ 11,719,575	$ 12,600,972	$ 12,489,052
Total Income (excludes special reserve adjustments 96 & 98)	$ (453,530)	$ 1,377,700	$ 3,921,775	$ 2,905,838	$ 1,616,832
Net Operating Income	$ (487,562)	$ 969,610	$ 3,855,226	$ 1,720,917	$ (511,229)
Net Investment Income	$ 34,032	$ 408,090	$ 66,549	$ 1,184,921	$ 2,128,064
Total Assets	$ 15,085,028	$ 17,651,699	$ 21,000,513	$ 25,807,506	$ 29,738,524
Total Liabilities	$ 8,206,078	$ 9,395,049	$ 8,822,088	$ 10,723,243	$ 13,037,429
Retained Earnings	$ 6,878,950	$ 8,256,650	$ 12,178,425	$ 15,084,263	$ 16,701,095
Retained Earnings to SIR (Board target: 12:1)	19.7	16.5	24.4	24.4	33.4
SIR to Retained Earnings (Benchmark: captives <.10; group capitves <.25)	0.05	0.06	0.04	0.04	0.03
% Assets attributable to Retained Earnings	45.6%	46.8%	58.0%	58.0%	56.2%
Total assets/total liabilities	1.84	1.88	2.38	2.38	2.28
Revenues to Retained Earnings (Benchmark: <2.5:1 and >0	1.62	1.35	0.96	0.96	0.75
Loss Reserves to Retained Earnings (discounted): Benchmark <3:1 and >0	1.18	0.72	0.72	0.72	0.34
Total liabilities to liquid assets: Benchmark <100%	64%	47%	38%	38%	52%
Change in Retained Earnings: >-10%	-6.2%	20.0%	47.5%	47.5%	10.7%
Return on Retained Earnings: Net Operating Income/Retained Earnings	-7.1%	11.7%	31.7%	31.7%	-3.1%
Return on Retained Earnings: Total Income/Retained Earnings	-6.6%	16.7%	32.2%	32.2%	9.7%

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Net Assets
June 30, 2008 and 2007

ASSETS	**2008**	**2007**
Current assets:		
Cash and equivalents – Note C	$ 2,418,591	$ 2,355,219
Investments – Note C	22,030,146	19,212,869
Deductibles receivable	6,691	6,691
Prepaid expenses	70,581	19,590
Specific and aggregate recoverables	231,052	401,077
Member landfill premium receivable – Note J	398,049	-
Other receivables	30,924	13,340
Total current assets	25,186,034	22,008,786
Capital assets:		
Land, building and equipment – Note D	2,340,244	2,340,244
Less accumulated depreciation	(296,087)	(241,524)
	2,044,157	2,098,720
Other assets:		
Investment in Public Risk Mutual – Note I	3,100,000	2,000,000
Less amortization	(591,667)	(300,000)
Total non-current assets	2,508,333	1,700,000
Total Assets	**$ 29,738,524**	**$ 25,807,506**
	========	========
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	$ 138,085	$ 465,243
Deferred revenue	28,344	-
Current portion of reserve for claims and adjustment expenses - Note G	5,225,219	4,330,714
Total current liabilities	5,391,648	4,795,957
Non-current liabilities:		
Reserve for claims and claims adjustment expenses – Note G	7,645,781	5,927,286
Total non-current liabilities	7,645,781	5,927,286
Net assets, unrestricted	14,656,938	12,985,543
Net assets, invested in capital assets	2,044,157	2,098,720
Total net assets	16,701,095	15,084,263
Total Liabilities & Net Assets	**$ 29,738,524**	**$ 25,807,506**
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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, 2008 and 2007

	2008	2007
Operating revenues:		
Premiums written	$ 12,243,677	$ 12,369,738
Rental income	236,886	228,023
Other income	8,489	3,211
Total revenues	12,489,052	12,600,972
Operating expenses:		
Losses and loss adjustment expenses – Note G	5,629,397	3,865,829
Excess insurance premiums	3,681,857	3,758,623
Pooling and loss control fees	530,000	510,000
Third party administrator fees	561,449	441,510
Agent commissions	484,300	478,063
Taxes written	4,279	4,667
Total program expenses	10,891,282	9,058,692
Management fees	408,659	396,756
Building maintenance and utilities	37,574	40,545
Depreciation	54,563	54,563
Amortization	291,667	100,000
Travel	31,983	30,755
Casualty insurance	38,280	37,972
Operating expenses	170,518	274,231
Legal expenses	37,250	37,926
Loss control awards & grants	98,588	18,750
Consultant appraisals	102,818	62,643
Member education & training	837,099	767,222
Total pool administration expenses	2,108,999	1,821,363
Total operating expenses	13,000,281	10,880,055
Increase in operating net assets	**$ (511,229)**	**$ 1,720,917**
Increase in non-operating net investment income	2,128,061	1,184,921
Increase in net assets	**$ 1,616,832**	**$ 2,905,838**
Net assets, beginning of year	15,084,263	12,178,425
Net assets, end of year	**$ 16,701,095**	**$ 15,084,263**
	========	========

See accompanying notes to basic financial statements

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2008 and 2007

Cash Flows from Operating Activities:	**2008**	**2007**
Premiums written	$ 12,243,677	$ 12,369,738
Rental income	236,886	228,023
Other revenues	8,489	3,211
Payment for claims	(3,016,397)	(2,373,829)
Payment to vendors	(7,620,067)	(6,435,052)
Net Cash Provided from Operating Activities	1,852,588	3,792,091
Cash Flows from Investing Activities:		
Interest, dividends and realized net gains on investments	2,128,061	1,184,921
Investment in PRM	(1,100,000)	(1,000,000)
Purchases of investments	(4,817,277)	(3,211,494)
Proceeds from sales of investments	2,000,000	1,000,000
Net Cash Used for Investing Activities	(1,789,216)	(2,026,573)
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	63,372	1,753,123
Cash and Cash Equivalents, beginning of fiscal year	2,355,219	602,096
Cash and Cash Equivalents, years ended June 30	**$ 2,418,591**	**$ 2,355,219**

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

Operating net income (loss)	$ (511,229)	$ 1,720,917
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	54,563	54,564
Prepaid expense	(50,991)	42,304
Specific excess recoverable	170,025	(33,857)
Other receivables	(17,584)	7,008
Member landfill receivable	(398,049)	-
Amortization	291,667	100,000
Accounts payable	(327,158)	409,155
Deferred revenue	28,344	
Claims and loss adjustment expenses	2,613,000	1,492,000
Net Cash Provided by Operating Activities	**$ 1,852,588**	**$ 2,792,091**

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

Principles of Presentation

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.

Cash Equivalents:

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.

Investment and Interest Income:

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 on the books of the Pool's deposits with financial institutions at June 30, 2008 and 2007 are $2,418,591 and $2,355,219, respectively.

A summary of cash and investments as of June 30, 2008 and 2007 is as follows:

	Fair value	
	2008	**2007**
U.S. Government Securities	$ 3,941,681	$ 6,257,327
Mortgaged backed securities	5,738,110	6,760,845
Federal Home Loan Mortgages	3,356,873	2,826,643
Federal National Mortgage Assoc.	7,175,867	831,938
Miscellaneous government securities	1,560,328	1,744,153
Certificates of deposit with greater than 90 day maturities	-	600,000
Accrued Income	257,287	191,964
	$ 22,030,146	$ 19,212,869
	========	========

Contractual maturities at June 30, 2008 and 2007 are as follows:	**2008**	**2007**
Due 1 year or less	$ 257, 286	$ 791,966
Due 1 – 5 years	12,314,684	10,332,721
Due 5-10 years	7,279,580	5,405,788
Due 10-20 years	1,596,334	1,810,086
Due in over 20 years	582,262	872,308
Total investments	$ 22,030,146	$ 19,212,869
	========	========

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 2008 and 2007 are $ 3,526,092 and $ 2,518,685, respectively.

	2008	**2007**
Amounts insured by FDIC	$ 100,000	$ 100,000
Amounts collateralized with securities held by the pledging financial institution's trust department in the bank's name	1,007,503	725,051
Securities held in trust by brokerage firm	2,418,589	1,693,634
Total deposits at financial institutions	$ 3,526,092	$ 2,518,685
	=======	=======

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. Collateralized securities are not in the name of POOL or held by a third party custodian. 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, 2008 was as follows:

	Estimated Useful life (years)	June 30, 2007	Additions	Dispositions	June 30, 2008
Land	-	$ 466,653	-	-	$ 466,653
Building and improvements	40	1,783,716	-	-	1,783,716
Furniture and equipment	5 - 7	89,875	-	-	89,875
		2,340,244	-	-	2,340,244
Accumulated depreciation		(241,523)	(54,563)	-	(296,086)
		$ 2,098,721	(54,563)	-	$ 2,044,158
		=======	=======	=======	=======

Property and Equipment activity for the year ended June 30, 2007 was as follows:

	Estimated useful life (years)	June 30, 2006	Acquisitions	Dispositions	June 30, 2007
Land	-	$ 466,653	-	-	$ 466,653
Building & 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
		=======	=======	=======	=======

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:	2007-2008	2006-2007
Property blanket limit	$200,000	$150,000
Liability per Event	$500,000	$500,000
Monies & Securities per loss	$250,000	$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 policy form. Highlights of some of the limits and sub limits are shown on 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.

	2008	2007
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
Sexual abuse sub limit	2,500,000	2,500,000
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

POOL reinsurance is as follows:

Property: The property limits shown above excess of retentions as follows:

Retention 1: $200,000 per event
Retention 2: $250,000 aggregate excess of $250,000 all members
Retention 3: $250,000 per event monies and securities extension

Liability: The liability limits shown above excess of POOL's retention with of $500,000 with:

a) Public Risk Mutual 20% of $1,500,000, excluding school districts; plus $250,000 per event excess of $2,000,000 all members
b) County Reinsurance, LTD. 80% of $1,500,000, excluding school districts
c) United Educators $1,500,000 for school districts only
d) Munich Reinsurance America, Inc. $7,750,000 excess of a,b and c above except $250,000 excess of $2,250,000 on sexual abuse

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:

	2008	2007
Incurred claims and claim adjustment expenses At the beginning of the fiscal year	$ 10,258,000	$ 8,766,000
Incurred claims and claim adjustment expenses:		
Provisions for insured events of current year	7,232,000	5,498,000
(Decreases) increase in provision for insured events of prior years	(1,602,603)	(1,632,171)
Total Incurred claim adjustment expenses	5,629,397	3,865,829
Payments:		
Claims and Claim Adjustment Expenses attributable to Insured Events of Current year	(1,020,000)	(845,000)
Claims and Claim Adjustment Expenses attributable to insured events of prior years	(1,996,397)	(1,528,829)
Total payments	(3,016,397)	(2,373,829)
Total unpaid claims and claims adjustment expenses at fiscal year end June 30	**$ 12,871,000**	**$ 10,258,000**
	========	========

Current portion of the reserve, cash expected to be paid within 12 months, is $ 5,225,219 and the long-term portion is $ 7,645,781.

At June 30, 2008 and 2007, 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, 2008 and 2007.

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 $45,780 and $46,444 for the years ending 2008 and 2007.

NACO is a member of POOL. Executive Directors of NACO were authorized to be the second signature on checks disbursed from the POOL's accounts for a portion of the time being audited. Neither the association or those individuals were 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.

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, 2008 was $408,659 and for year ended June 30, 2007 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. Amounts paid by POOL under the contract was $570,000 and $613,500 for the years ending June 30, 2008 and 2007.

The contract was extended for an additional year beginning July 1, 2008 for an annual contract fee of $550,000.

NOTE I –INTEREST IN PUBLIC RISK MUTUAL COMPANY

In May of 2004, 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 later increasing it to $3,100,000. The new company, named Public Risk Mutual, is domiciled in Nevada and as of September 1, 2004, 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.

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.

NOTE J – MEMBER LANDFILL PREMIUM RECEIVABLE

POOL serves as the facilitator for the Nevada Public Agencies Landfill Financial Assurance Program for which coverage is provided by American International Specialty Lines Insurance Company (ASLIC) for several POOL members. POOL invoices members for the annual premiums for this program, but due to the timing of premium due dates to ASLIC and the payments being received from members, POOL advances the premiums to ASLIC. Participating members then reimburse POOL.

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Required Contributions & Investment Income:										
Earned	$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	$14,643,824
Ceded	(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)	(3,681,857)
Net Earned	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	10,961,967
Unallocated Expenses	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	3,715,519
Estimated Incurred Claims & Expenses End of Policy Year:										
Incurred	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	7,232,000
Ceded	-	(320,000)		-	-	-	-	-	-	-
Net Incurred	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	7,232,000
Paid (cumulative) as of:										
End of Policy Year	195,383	360,294	391,563	400,285	637,074	287,229	862,908	434,000	845,000	1,020,000
One year later	647,554	1,002,675	734,699	1,364,292	1,140,140	637,081	1,421,000	936,000	1,764,000	
Two Years Later	732,303	1,449,529	1,033,237	1,904,876	1,724,894	861,000	1,717,000	1,380,000		
Three Years Later	991,833	1,608,000	1,691,933	2,242,586	2,134,000	942,000	1,935,000			
Four Years Later	1,504,210	1,004,341	1,896,000	2,429,000	2,505,000	1,151,000				
Five Years Later	999,909	1,613,000	2,160,000	2,427,000	2,705,000					
Six Years Later	1,001,404	1,613,000	2,161,000	2,330,000						
Seven Years Later	996,000	1,613,000	2,161,000							
Eight Years Later	986,000	1,613,000								
Nine Years Later	986,000									
Re-estimated ceded claims & expenses	71,111	3,200,838	381,885	6,001,859	210,622	-	407,009	441,679	3,144,489	2,585,983
Re-estimated Claims & Expenses										
End of Policy Year	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	7,232,000
One Year Later	1,614,000	1,613,000	2,102,000	3,042,000	3,774,000	3,019,000	3,482,000	3,676,000	5,375,000	
Two Years Later	1,497,000	1,613,000	1,971,000	3,189,000	2,877,000	2,010,000	3,431,000	3,054,000		
Three Years Later	1,363,000	1,613,000	2,265,000	2,936,000	2,815,000	1,547,000	2,755,000			
Four Years Later	1,029,000	1,613,000	2,157,000	2,689,000	2,903,000	1,453,000				
Five Years Later	998,000	1,613,000	2,161,000	2,562,000	2,894,000					
Six Years Later	999,000	1,613,000	2,161,000	2,383,000						
Seven Years Later	996,000	1,613,000	2,161,000							
Eight Years Later	991,000	1,613,000								
Nine Years Later	986,000									
Increase (Decrease) in Estimated Claims & Expense from End of Policy Year	(647,000)	-	(260,000)	(331,000)	(459,422)	(2,346,413)	(996,034)	(1,556,000)	(674,000)	-