NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2009 and 2008

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 ("NPAIP") for the years ended June 30, 2009 and 2008, 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, 2009 and 2008 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 17, 2009
Carson City, Nevada

Management's Discussion and Analysis

Purpose:

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

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 NPAIP. The NPAIP'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 NPAIP using accounting methods similar to those used by private sector organizations, these statements offer short and long term financial information about the NPAIP's activity. The Statement of Net Assets includes all of the NPAIP'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 NPAIP.

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 NPAIP's operations for the fiscal year compared to the previous year and can be used as a measure of the NPAIP's credit worthiness and whether NPAIP successfully recovers its costs through its sources of revenue.

The Statement of Cash Flows serves to provide information about the NPAIP'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 NPAIP 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 NPAIP 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 NPAIP increased from $29,738,524 as of fiscal year end June 30, 2008 to $32,066,624 as of fiscal year end June 30, 2009. 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, $1,982,180 of the total assets for fiscal year end June 30, 2009 consists of capital assets.

Included in the total assets is the NPAIP's investment in starting its own non-profit captive mutual insurance company, Public Risk Mutual. Initially, in 2004, NPAIP invested $1,000,000, an amount to be amortized over 10 years. At June 30, 2009, NPAIP had increased its investment in Public Risk Mutual to $6,900,000. Public Risk Mutual provided reinsurance to the NPAIP for certain property and liability coverage during this year. Although it operates independently, it is owned by NPAIP members and its board of directors consists of key leaders from the NPAIP board.

Total unpaid claims and claims adjustment expenses decreased from $12,871,000 for fiscal year end June 30, 2008 to $12,823,000 for fiscal year end June 30, 2009, a decrease of $48,000.

The NPAIP's primary revenue source comes from Member contributions to the NPAIP'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 slightly from $12,489,052 as of fiscal year end June 30, 2008 to $13,429,504 as of fiscal year end June 30, 2009. Operating expenses decreased from $13,000,281 as of fiscal year end June 30, 2008, to $12,652,214as of fiscal year end June 30, 2009, a decrease of $348,067 or 2.7%. Overall operating net assets increased from a loss of $511,229 for fiscal year ended June 30, 2008, to a gain of $777,289 for fiscal year ended June 30, 2009, a swing of $1,288,518 in one year, primarily as a result of decreases in current year incurred claims and claims adjustment expenses of nearly one million dollars.

Non-operating assets net of investment expenses for fiscal year ended June 30, 2009 decreased by $373,503 compared to June 30, 2008 on a portfolio of about $22 million invested when marked to market value. NPAIP 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. 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.

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 $32,066,624 for fiscal year ended June 30, 2009. The increase in total assets between fiscal years ending June 30, 2008 and June 30, 2009 was $2,531,847, an 8.5% increase. This strong asset base enables the NPAIP 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 NPAIP to retain additional risk and to continue to contribute to Public Risk Mutual, thus lowering the costs of excess insurance or reinsurance.

Creation by the NPAIP of Public Risk Mutual, its own non-profit captive mutual insurance company, by investing $1,000,000 initially and growing its capital base to $6,900,000 during this fiscal year ending June 30, 2009 created an additional capital asset that comprises 21.5% of the NPAIP's total assets.

Revenues, Expenses and Changes in Assets:

Operating revenues increased from $12,489,052 as of fiscal year end June 30, 2008 to $13,429,504 as of fiscal year end June 30, 2009, an increase of $940,452 or 7.5% due largely to a modest increase in ratable exposure base and rates.

Non-operating assets net of investment expenses for fiscal year ended June 30, 2009 decreased by $373,503 compared to June 30, 2008 when marked to market value on a $22 million portfolio in each of the fiscal years. In light of the economic conditions of the past two years, this is a stable portfolio that performed well. Since NPAIP normally holds its investments to maturity, it is likely to achieve the coupon rates over time.

Operating expenses decreased from $13,000,281 as of fiscal year end June 30, 2008 to $12,652,214 as of fiscal year end June 30, 2008, a decrease of $348,067 or 2.8%. Loss and loss adjustment expenses decreased by $999,493 or 21.5%. Excess insurance premiums increased by $237,378. NPAIP administration expenses increased by $373,039 of which $352,500 came from increased amortization.

Actuarial

The actuarial analysis for the current fiscal year revealed a slight reduction in unpaid claims and claims expense of $48,000 that resulted largely from a $999,493 decrease in current years' estimated incurred losses. Other factors applicable: 1) there were several large property losses in the 2008 fiscal year, most notably the Wells earthquake that affected several members in that area, that did not repeat during 2009; 2) current years incurred reserves decreased by $1,391,096; and 3) claims payments increased by $1,661,507 combined for both current and prior years as a result of the shorter payout period on property losses and settlements on pending liability claims.

Both property and casualty coverages can experience significant volatility particularly when the retention levels per loss are high. Because the NPAIP retains a substantial portion of the property and casualty risk, it is important to the long term viability of the NPAIP 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. NPAIP board policy requires a

75% actuarial confidence level as a prudent level to develop a strong financial position in keeping with the NPAIP Board's goals of creating and sustaining a durable financial position.

Capital Assets and Debt Administration:

With the NPAIP's purchase of land and completion of construction of its headquarters building, the NPAIP's capital assets comprise 6.2% of its total assets. The building generates rental income and also diversifies the NPAIP's investments. The NPAIP remains debt free.

Economic Factors:

For fiscal year ending June 30, 2009, economic conditions continued to be volatile in most sectors of the economy. The economy deteriorated significantly during this fiscal year resulting in federal intervention seeking to support the economy in order to stabilize it and reestablish confidence. NPAIP's investments have performed fairly well during this upheaval in light of the statutory requirements to invest in governmental securities.

Medical inflation generally is running in double digits nationally, which affects the underlying costs of liability claims payable by NPAIP. Based upon claims activity and the tendency of plaintiffs to appeal judgments more often, litigation costs continue to rise. The NPAIP'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, 2009 evidenced changing insurance market conditions for property and liability reinsurance. Rates in property coverage increased. Liability rates generally were flat. NPAIP also continued its membership in County Reinsurance, Ltd., a captive mutual insurer in which NPAIP has a financial interest, and with United Educators, a captive risk retention group in which NPAIP has a financial interest, for liability coverage reinsurance. In addition, NPAIP contributed additional capital to Public Risk Mutual, its member-owned captive.

Requests for Information:

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

Wayne Carlson, Executive Director
Nevada Public Agency Insurance Pool

	2004 / 2005	2005 / 2006	2006 / 2007	2007 / 2008	2008 / 2009
Total Liabilities	$ 9,395,049	$ 8,822,088	$ 10,723,243	$ 13,037,429	$ 12,833,682
Retained Earnings	$ 8,256,650	$ 12,178,425	$ 15,084,263	$ 16,701,095	$ 19,232,942
Retained Earnings to SIR (Board target: 12:1)	16.5	24.4	24.4	33.4	38.5
SIR to Retained Earnings (Benchmark: captives <.10; group capitves <.25)	0.06	0.04	0.04	0.03	0.03
% Assets attributable to Retained Earnings	47%	58%	58%	56%	60%
Total assets/total liabilities	1.88	2.38	2.38	2.28	2.50
Revenues to Retained Earnings (Benchmark: <2.5:1 and >0	1.35	0.96	0.96	0.75	0.70
Loss Reserves to Retained Earnings (discounted): Benchmark <3:1 and >0	0.72	0.72	0.72	0.34	0.29
Total liabilities to liquid assets: Benchmark <100%	47%	38%	38%	52%	47%
Change in Retained Earnings: >-10%	20%	47%	47%	11%	15%
Return on Retained Earnings: Net Operating Income/Retained Earnings	12%	32%	32%	-3%	4%
Return on Retained Earnings: Total Income/Retained Earnings	17%	32%	32%	10%	13%

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Net Assets
June 30, 2009 and 2008

ASSETS	**2009**	**2008**
Current assets:		
Cash and equivalents – Note C	$ 1,138,642	$ 2,418,591
Investments – Note C	22,042,644	22,030,146
Deductibles receivable	32,644	6,691
Prepaid expenses	44,692	70,581
Specific and aggregate recoverables	1,152,055	231,052
Member landfill premium receivable – Note J	-	398,049
Other receivables	9,600	30,924
Total current assets	24,420,277	25,186,034
Capital assets:		
Land, building and equipment – Note D	2,345,225	2,340,243
Less accumulated depreciation	(363,045)	(296,086)
	1,982,180	2,044,157
Other assets:		
Investment in Public Risk Mutual – Note I	6,900,000	3,100,000
Less amortization	(1,235,833)	(591,667)
Total non-current assets	5,664,167	2,508,333
Total Assets	**$ 32,066,624**	**$29,738,524**
	========	========
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	$ 10,682	$ 138,085
Deferred revenue	-	28,344
Current portion of reserve for claims and adjustment expenses - Note G	4,899,573	5,225,219
Total current liabilities	4,910,255	5,391,648
Non-current liabilities:		
Reserve for claims and claims adjustment expenses – Note G	7,923,427	7,645,781
Total non-current liabilities	7,923,427	7,645,781
Net assets, unrestricted	17,250,762	14,656,938
Net assets, invested in capital assets	1,982,180	2,044,157
Total net assets	19,232,942	16,701,095
Total Liabilities & Net Assets	**$ 32,066,624**	**$ 29,738,524**
	========	========

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Revenues, Expenses and Changes in Net Assets
For Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Premiums written	$ 13,128,816	$ 12,243,677
Rental income	273,990	236,886
Other income	26,698	8,489
Total revenues	13,429,504	12,489,052
Operating expenses:		
Losses and loss adjustment expenses – Note G	4,629,904	5,629,397
Excess insurance premiums	3,919,235	3,681,857
Pooling and loss control fees	530,000	530,000
Third party administrator fees	596,763	561,449
Agent commissions	488,082	484,300
Taxes written	6,193	4,279
Total program expenses	10,170,177	10,891,282
Management fees	448,500	408,659
Building maintenance and utilities	45,717	37,574
Depreciation	66,958	54,563
Amortization	644,167	291,667
Travel	28,966	31,983
Casualty insurance	37,381	38,280
Operating expenses	264,424	170,518
Legal expenses	24,342	37,250
Loss control awards & grants	51,892	98,588
Consultant appraisals	81,200	102,818
Member education & training	788,491	837,099
Total pool administration expenses	2,482,038	2,108,999
Total operating expenses	12,652,215	13,000,281
Increase in operating net assets	**$ 777,289**	**$ (511,229)**
Increase in non-operating net investment income	1,754,558	2,128,061
Increase in net assets	**$2,531,847**	**$ 1,616,832**
Net assets, beginning of year	16,701,095	15,084,263
Net assets, end of year	**$19,232,942**	**$ 16,701,095**
	========	========

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Premiums written	$ 13,122,623	$ 12,243,677
Rental income	273,990	236,886
Other revenues	26,698	8,489
Payment for claims	(4,677,904)	(3,016,397)
Payment to vendors	(7,962,435)	(7,620,067)
Net Cash Provided from Operating Activities	782,972	1,852,588
Cash Flows from Investing Activities:		
Interest, dividends and realized net gains on investments	1,754,558	2,128,061
Investment in PRM	(3,800,000)	(1,100,000)
Purchases of investments	(1,612,498)	(4,817,277)
Proceeds from sales of investments	1,600,000	2,000,000
Net Cash Used for Investing Activities	(2,057,940)	(1,789,216)
Cash Flows from Capital Purchases		
Increase in purchases of equipment	(4,981)	-
Net Cash Used for Capital Activities	(4,981)	-
Increase (decrease) in Cash and Cash Equivalents	(1,279,949)	63,372
Cash and Cash Equivalents, beginning of fiscal year	2,418,591	2,355,219
Cash and Cash Equivalents, years ended June 30	**$ 1,138,642**	**$ 2,418,591**
	========	=======

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

	2009	2008
Operating net income (loss)	$ 777,289	$ (511,229)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	66,958	54,563
Deductibles receivable	(25,953)	-
Prepaid expense	25,889	(50,991)
Specific excess recoverable	(921,003)	170,025
Other receivables	21,324	(17,584)
Member landfill receivable	398,049	(398,049)
Amortization	644,166	291,667
Accounts payable	(127,403)	(327,158)
Deferred revenue	(28,344)	28,344
Claims and loss adjustment expenses	(48,000)	2,613,000
Net Cash Provided by Operating Activities	**$ 782,972**	**$ 1,852,588**
	========	=======

See accompanying notes

NOTE A - NATURE OF ORGANIZATION

The Nevada Public Agency Insurance Pool (NPAIP) 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 NPAIP is fully funded by member participants. Members file claims with ASC, which has been contracted to perform claims adjustments for the NPAIP.

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

NOTE C – CASH AND INVESTMENTS

The carrying amount of NPAIP's deposits with financial institutions at June 30, 2009 and 2008 was $1,138,642 and $2,418,591.

The financial institution balance at June 30, 2009 and 2008 was $1,482,989 and $3,526,092 respectively. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

	2009	2008
Amounts insured by FDIC	$250,000	$100,000
Amounts collateralized	704,449	1,007,503
Cash equivalents at brokerage firm	528,540	2,418,589
Total deposits at financial institutions	$1,482,989	$3,526,092

NPAIP 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 SPIC and additional amounts are insured by the broker through an insurance policy.
A summary of investments as of June 30, 2009 is as follows:

		Investment Maturities in Years				
	Fair value	1 year or less Less	1 – 5	5-10	Over 10	Moody's Rating
U.S. Treasuries	$4,877,928	-	-	$ 4,877,928	-	
U.S Government backed & agency	10,246,976	1,032,453	7,680,026	1,534,497	-	
Mortgaged backed corporate bonds	3,829,342	-	898,709	929,343	2,001,290	
Corporate bonds	3,088,398	-	3,088,398	-	-	Aaa
Total cash and investments	$22,042,644	$1,032,453	$11,667,133	$7,341,768	$2,001,290	

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

		Investment Maturities in Years				
	Fair value	1 year or less Less	1 – 5	5-10	Over 10	Moody's Rating
U.S. Treasuries	$4,000,718	-	$458,614	$3,542,104	-	
U.S Government backed & agency	12,268,966	-	10,718,760	1,550,206	-	
Mortgaged backed corporate bonds	5,760,462	-	1,310,925	2,259,530	2,190,007	
Corporate bonds	-	-	-	-	-	
Total cash and investments	$22,030,146	-	$12,488,299	$7,351,840	$2,190,007	

Actual maturities may differ from contractual maturities as some borrows have the right to call or prepay with or without call or prepayment penalties.

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, 2009 was as follows:

	Estimated Useful life (years)	June 30, 2008	Additions	Dispositions	June 30, 2009
Land	-	$ 466,652	-	-	$ 466,652
Building and improvements	40	1,783,716	-	-	1,783,716
Furniture and equipment	5 - 7	89,875	4,982	-	94,857
		2,340,243	4,982	-	2,345,225
Accumulated depreciation		(296,086)	(66,959)	-	(363,045)
		$ 2,044,157	(61,977)	-	$ 1.982,180
		=======	=======	=======	=======

Property and Equipment activity for the year ended June 30, 2008 was as follows:

	Estimated useful life (years)	June 30, 2007	Acquisitions	Dispositions	June 30, 2008
Land	-	$ 466,652	-	-	$ 466,652
Building & improvements	40	1,783,716	-	-	1,783,716
Furniture and equipment	5 - 7	89,875	-	-	89,875
		2,340,243	-	-	2,340,243
Accumulated depreciation		(241,523)	(54,563)	-	(296,086)
		$ 2,098,720	(54,563)	-	$ 2,044,157
		=======	=======	=======	=======

NOTE E – RETENTION

Nevada Public Agency Insurance 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 NPAIP within its retention amounts are as follows:

NPAIP Limits:	2008-2009	2007-2008
Property blanket limit (1)	$200,000	$200,000
Liability per Event	$500,000	$500,000
Monies & Securities per loss	$250,000	$250,000
Equipment breakdown	$ 50,000	$ 50,000

(1) Plus a $200,000 corridor deductible for both years.
Should the cumulative losses paid within the NPAIP's retention in any one year exceed the NPAIP's loss fund contributions for that year, the balance would be payable from the NPAIP's equity.

NOTE F – EXCESS INSURANCE OR REINSURANCE

Nevada Public Agency Insurance 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, NPAIP obtains various excess or reinsurance policies from several excess or reinsurance companies to bear a portion of the risks not retained by the NPAIP under its retention.

	2009	2008
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:		
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

NPAIP 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 NPAIP'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

NPAIP 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 NPAIP'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 NPAIP 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 NPAIP in the last two years:

	2009	**2008**
Incurred claims and claim adjustment expenses At the beginning of the fiscal year	$ 12,871,000	$ 10,258,000
Incurred claims and claim adjustment expenses:		
Provisions for insured events of current year	5,840,904	7,232,000
(Decreases) increase in provision for insured events of prior years	(1,211,000)	(1,602,603)
Total Incurred claim adjustment expenses	4,629,904	5,629,397
Payments:		
Claims and Claim Adjustment Expenses attributable to Insured Events of Current year	(397,000)	(1,020,000)
Claims and Claim Adjustment Expenses attributable to insured events of prior years	(4,280,904	(1,996,397)
Total payments	(4,677,904)	(3,016,397)
Total unpaid claims and claims adjustment expenses at fiscal year end June 30	**$12,823,000**	**$ 12,871,000**
	========	========

Current portion of the reserve, cash expected to be paid within 12 months, is $ 4,899,573 and the long-term portion is $ 7,923,427.

At June 30, 2009 and 2008, NPAIP 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, 2009 and 2008.

NOTE H - RELATED PARTY TRANSACTIONS

Beginning January 1, 2003, the Nevada Association of Counties (NACO) entered into a lease agreement with NPAIP to lease office space at 201 S. Roop St in Carson City, Nevada through January 1, 2009. Amounts received for rent totaled $47,232 and $45,780 for the years ending 2009 and 2008.

NACO is a member of NPAIP. The Executive Director of NACO was authorized to be the second signature on checks disbursed from the NPAIP'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 NPAIP and PACT to provide management services. PARMS serves both the NPAIP 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, 2009 was $448,500 and for year ended June 30, 2008 was $408,659. Beginning July 1, 2008, PARMS began leasing office space at 201 S. Roop St in Carson City, Nevada and terminating on June 30, 2013. Amounts received for rent totaled $59,316 for the year ended 2009.

Effective July 1, 2006, NPAIP jointly with PACT issued a two-year grant, subsequently extended by one year to June 30, 2009, to Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Wayne Carlson, Alan Kalt and Michael Rebaleati. PRI provides human resources management services to NPAIP and PACT Members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI. Amounts paid by NPAIP under the grant were included in the member education and training expenses in the amounts of $549,996 and $570,000 for the years ending June 30, 2009 and 2008.

NOTE I –INTEREST IN PUBLIC RISK MUTUAL COMPANY

In May of 2004, NPAIP'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 $6,900,000. The company, named Public Risk Mutual, is domiciled in Nevada and as of September 1, 2004, became the excess property insurer for NPAIP. Some of the Public Risk Mutual's board members also serve as board members of NPAIP.

Public Risk Mutual was formed by members of NPAIP 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, NPAIP required that prior to any distributions such as dividends, the capitalization must be repaid to NPAIP. 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 NPAIP will recoup the capital. Therefore, the NPAIP's interest in PRM will be amortized over 10 years. Amortization expense was $644,167 and $291,667 for fiscal years ended 2009 and 2008.

NOTE J – MEMBER LANDFILL PREMIUM RECEIVABLE

NPAIP 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 NPAIP members. NPAIP 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, NPAIP advances the premiums to ASLIC. Participating members then reimburse NPAIP.

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Required Contributions & Investment Income:										
Earned	$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	$15,184,061
Ceded	(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)	(3,919,235)
Net Earned	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	11,264,826
Unallocated Expenses	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	4,103,075
Estimated Incurred Claims & Expenses End of Policy Year:										
Incurred	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	6,118,000
Ceded	(320,000)			-	-	-	-	-	-	-
Net Incurred	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	6,118,000
Paid (cumulative) as of:										
End of Policy Year	360,294	391,563	400,285	637,074	287,229	862,908	434,000	845,000	1,020,000	397,000
One year later	1,002,675	734,699	1,364,292	1,140,140	637,081	1,421,000	936,000	1,764,000	3,301,000	
Two Years Later	1,449,529	1,033,237	1,904,876	1,724,894	861,000	1,717,000	1,380,000	3,209,000		
Three Years Later	1,608,000	1,691,933	2,242,586	2,134,000	942,000	1,935,000	1,973,000			
Four Years Later	1,004,341	1,896,000	2,429,000	2,505,000	1,151,000	2,043,000				
Five Years Later	1,613,000	2,160,000	2,427,000	2,705,000	1,196,000					
Six Years Later	1,613,000	2,161,000	2,330,000	2,789,000						
Seven Years Later	1,613,000	2,161,000	2,331,000							
Eight Years Later	1,613,000	2,161,000								
Nine Years Later	1,613,000									
Re-estimated ceded claims & expenses	3,195,838	559,885	6,001,859	223,735	-	757,715	442,343	3,149,000	3,648,537	-
Re-estimated Claims & Expenses										
End of Policy Year	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	6,118,000
One Year Later	1,613,000	2,102,000	3,042,000	3,774,000	3,019,000	3,482,000	3,676,000	5,375,000	6,844,000	
Two Years Later	1,613,000	1,971,000	3,189,000	2,877,000	2,010,000	3,431,000	3,054,000	5,344,000		
Three Years Later	1,613,000	2,265,000	2,936,000	2,815,000	1,547,000	2,755,000	2,838,000			
Four Years Later	1,613,000	2,157,000	2,689,000	2,903,000	1,453,000	2,459,000				
Five Years Later	1,613,000	2,161,000	2,562,000	2,894,000	1,256,000					
Six Years Later	1,613,000	2,161,000	2,383,000	2,863,000						
Seven Years Later	1,613,000	2,161,000	2,341,000							
Eight Years Later	1,613,000	2,161,000								
Nine Years Later	1,613,000									
Increase (Decrease) in Estimated Claims & Expense from End of Policy Year	-	260,000	(373,000)	(461,422)	(2,497,413)	(1,167,034)	(1,517,000)	(154,000)	(388,000)	-