NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2011 and 2010

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Independent Auditor's Report

To the Board of Directors
Nevada Public Agency Insurance Pool

We have audited the accompanying statement of net assets of the Nevada Public Agency Insurance Pool ("NPAIP") for the years ended June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and the statement of cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our 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, 2011 and 2010 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. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurements and presentation of the required supplementary information. However, we 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, we express no opinion on it.

Bertrand & Associates LLC.
January 6, 2012
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:

NPAIP implemented 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.* 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.

<u>Changes in net assets:</u>
Fiscal year ended June 30, 2011: $26,261,322
Fiscal year ended June 30, 2010: $23,786,160
Net increase: $2,475,162 or 10.4%.

Net asset changes reflect both operating and non-operating net investment income. Both were lower than the fiscal year ended June 30, 2010. Operating expense increases largely were attributable to increases in losses, excess insurance, agent commissions and increased amortization expenses. Non-operating investment income reflects current economic conditions causing declining investment performance across all sectors. Net assets are retained to assure financial stability and strength of NPAIP based upon the board's long term strategy.

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 70% 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.

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, $1,868,407 of the total assets for fiscal year end June 30, 2011 consists of capital assets (after depreciation).

<u>Total revenues:</u>
Fiscal year ended June 30, 2011: $14,191,328
Fiscal year ended June 30, 2010: $14,186,965
Net increase: $4,363.

NPAIP's primary revenue source comes from Member contributions to the NPAIP's Loss Fund, administrative budget and reinsurance costs. Rental income constitutes the secondary revenue source and it was down due to the vacancy of NACO as a tenant. Member contributions were reduced by $617,757 by action of the board not to pass on increased reinsurance premiums to the members, but to utilize gains from prior years to pay that cost.

<u>Total expenses:</u>
Fiscal year ended June 30, 2011: $12,488,992
Fiscal year ended June 30, 2010: $11,168,514
Net increase: $1,320,478 or 11.8%.

The most significant factors in this change were attributable to increases in losses, excess insurance, agent commissions and increased amortization expenses. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years.

Included in the total assets is the NPAIP's capitalization to start 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, 2011, NPAIP had increased its contribution to surplus in Public Risk Mutual to $12,974,340. Accumulated amortization expense as of June 30, 2011 rose to $3,011,506 based upon NPAIP's policy to continue to amortize these contributions over a ten year period. Public Risk Mutual provided reinsurance to the NPAIP for certain property and liability coverage during this year.

<u>Operating net assets:</u>
Fiscal year ended June 30, 2011: $1,702,336
Fiscal year ended June 30, 2010: $3,018,451
Net decrease: $(1,316,115) or 43.6%

Increased losses and loss expenses comprised $619,425 or 47.1% of the decrease in operating net assets. Increases in amortization expenses contributed $260,937 or 19.8% of the decrease in operating net assets. Increased amortization expense reflects the board's decision to increase contributions to surplus to PRM consistent with its long-term strategy. Agent commissions increased by $245,144 for an 18.6% contribution to the decrease in operating net assets.

<u>Net investment income:</u>
Fiscal year ended June 30, 2011: $772,826
Fiscal year ended June 30, 2010: $1,534,767
Net decrease: $(761,941)

The net decrease of $761,941 or 49.6% reflects current investment market conditions. Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Maintaining positive returns under the difficult economic conditions during this fiscal year speaks to the conservative investment strategies employed by NPAIP. The investment portfolio of $25,527,671 is comprised of governmental type investments which, if held to maturity, will yield the respective coupon rates although interim performance may lag. Most of NPAIP's investments are anticipated to be held to maturity. NPAIP is restricted by Nevada statutes to invest in governmental securities in the same manner as other political subdivisions. Management adjusted the mix of investments as market conditions evidenced opportunities to enhance 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.

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.

Capital Assets and Debt Administration:

With NPAIP's purchase of land and completion of construction of its headquarters building, the NPAIP's capital assets comprise 7.1% of its total assets. The building generates rental income and also diversifies NPAIP's investments. NPAIP remains debt free.

Economic Factors:

For fiscal year ending June 30, 2011, economic conditions continued to be volatile in most sectors of the economy. The economy stabilized somewhat during this fiscal year as a result of continuing federal support to the economy and some spotty growth in certain sectors of the economy. NPAIP's investments have performed fairly well during this upheaval in light of the statutory requirements to invest in governmental securities. As in the past, NPAIP's investments produced stable gains on a marked to market basis.

Medical inflation continues to be higher than the overall consumer price index 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, 2011 evidenced changing insurance market conditions for property and liability reinsurance. Rates in property coverage increased. Liability rates increased substantially due to recent large liability claims. 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, Carson City, NV 89701-4790.

Wayne Carlson, Executive Director
Nevada Public Agency Insurance Pool

Financial Ratios	POOL 2006/2007	POOL 2007/2008	POOL 2008/2009	POOL 2009/2010	POOL 2010/2011
Total Revenue	$12,600,972	$12,489,052	$13,429,504	$14,186,965	$14,191,328
Total Income (excludes special reserve adjustments 96 & 98)	$ 2,905,838	$ 1,616,832	$ 2,531,847	$ 4,553,218	$ 2,475,162
Net Operating Income	$ 1,720,917	$ (511,229)	$ 777,289	$ 3,018,451	$ 1,702,336
Net Investment Income	$ 1,184,921	$ 2,128,061	$ 1,754,558	$ 1,534,767	$ 772,826
Total Assets	$25,807,506	$29,738,524	$32,066,624	$36,644,309	$38,796,007
Total Liabilities	$10,723,243	$13,037,429	$12,833,682	$12,858,140	$12,413,000
Net Assets	$15,084,263	$16,701,095	$19,232,942	$23,786,160	$26,261,322
Net Assets to SIR (Board target: 12:1)	30.2	33.4	38.5	47.6	52.5
SIR to Net Assets (Benchmark: captives <.10; group captives <.25)	0.03	0.03	0.03	0.02	0.02
% Assets attributable to Net Assets	58.4%	56.2%	60.0%	64.9%	67.7%
Total assets/total liabilities	2.41	2.28	2.50	2.85	3.13
Revenues to Net Assets (Benchmark: <2.5:1 and >0	0.84	0.75	0.70	0.60	0.54
Loss Reserves to Net Assets (discounted): Benchmark <3:1 and >0	0.10	0.09	0.08	0.06	0.06
Total liabilities to liquid assets: Benchmark <100%	49%	50%	45%	39%	35%
Change in Net Assets: >-10%	23.9%	10.7%	15.2%	23.7%	10.4%
Return on Net Assets: Net Operating Income/Net Assets	11.4%	-3.1%	4.0%	12.7%	6.5%
Return on Net Assets: Total Income/Net Assets	19.3%	9.7%	13.2%	19.1%	9.4%

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Net Assets
June 30, 2011 and 2010

ASSETS	**2011**	**2010**
Current assets:		
Cash and equivalents – Note C	$ 254,890	$ 1,272,660
Investments – Note C	25,527,671	26,924,947
Deductibles receivable	439,717	53,776
Prepaid expenses	71,450	18,691
Specific and aggregate recoverables	152,499	343,465
Member landfill premium receivable – Note J	-	399,446
Prepaid surplus contribution to GEM – Note L	500,000	-
Other receivables	18,539	879
Total current assets	26,964,766	29,013,864
Capital assets:		
Land, building and equipment – Note D	2,345,225	2,345,225
Less accumulated depreciation	(476,818)	(430,004)
	1,868,407	1,915,221
Other assets:		
Contributed Surplus Public Risk Mutual – Note I	12,974,340	7,708,416
Less amortization	(3,011,506)	(1,993,201)
Total non-current assets	9,962,834	5,715,215
Total Assets	**$38,796,007**	**$36,644,300**
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	$110,685	$ 64,710
Member payable	-	8,430
Current portion of reserve for claims and adjustment expenses - Note G	4,967,150	4,127,504
Total current liabilities	5,077,835	4,200,644
Non-current liabilities:		
Reserve for claims and claims adjustment expenses – Note G	7,456,850	8,657,496
Total non-current liabilities	7,456,850	8,657,496
Net assets, unrestricted	24,392,915	21,870,939
Net assets, invested in capital assets	1,868,407	1,915,221
Total net assets	26,261,322	23,786,160
Total Liabilities & Net Assets	**$38,796,007**	**$ 36,644,300**

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Revenues, Expenses and Changes in Net Assets
For Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Premiums written	$14,567,597	$13,909,905
Assessments discounts	(617,757)	-
Rental income	236,854	268,318
Other income	4,634	8,742
Total revenues	14,191,328	14,186,965
Operating expenses:		
Losses and loss adjustment expenses – Note G	2,877,489	2,258,064
Excess insurance premiums	4,642,512	4,388,536
Pooling and loss control fees	445,777	505,000
Third party administrator fees	610,665	565,641
Agent commissions	907,075	661,931
Taxes written	6,674	6,741
Total program expenses	9,490,192	8,385,913
Administration expenses:		
Management fees	471,955	461,955
Building maintenance and utilities	48,824	41,252
Depreciation	46,814	66,959
Amortization	1,018,305	757,368
Travel	35,618	36,494
Casualty insurance	34,845	37,378
Operating expenses	237,827	342,955
Legal expenses	4,490	20,465
Loss control awards & grants	221,323	158,651
Consultant appraisals	95,560	111,108
Environmental consultation	18,305	46,933
Member education & training	764,934	701,083
Total pool administration expenses	2,998,800	2,782,601
Total program and administration expenses	12,488,992	11,168,514
Increase in operating net assets	**$1,702,336**	**$3,018,451**
Increase in non-operating net investment income	772,826	1,534,767
Increase in net assets	**$2,475,162**	**$4,553,218**
Net assets, beginning of year	23,786,160	19,232,942
Net assets, end of year	**$26,261,322**	**$23,786,160**

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2011 and 2010

	2011	**2010**
Cash Flows from Operating Activities:		
Premiums written	$13,451,411	$13,909,905
Rental income	236,854	268,318
Other revenues	4,634	8,742
Payment for claims	(3,238,489)	(2,296,064)
Payment to vendors	(8,275,804)	(7,201,485)
Net Cash Provided from Operating Activities	2,178,606	4,689,416
Cash Flows from Investing Activities:		
Interest, dividends and realized net gains on investments	1,207,917	1,175,350
Purchases of investments	(1,637,815)	(6,875,350)
Proceeds from sales of investments	2,600,000	2,352,483
Net Cash Used for Investing Activities	2,170,102	(3,347,517)
Cash Flows from Other Financing Activities		
Increase in capitalization of PRM	(5,265,924)	(808,416)
Member landfill premium receivable	399,446	(399,465)
Prepaid surplus contribution to GEM	(500,000)	-
Net Cash Used for Capital Activities	(5,366,478)	(1,207,881)
Increase (decrease) in Cash and Cash Equivalents	(1,017,770)	134,018
Cash and Cash Equivalents, beginning of fiscal year	1,272,660	1,138,642
Cash and Cash Equivalents, years ended June 30	**$254,890**	**$1,272,660**
	========	=======

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

Operating net income (loss)	$1,702,336	$3,018,451
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	46,814	66,959
Deductibles receivable	(385,941)	(21,132)
Prepaid expense	(52,759)	26,001
Specific excess recoverable	190,966	808,590
Other receivables	(17,660)	8,721
Amortization	1,018,305	757,368
Accounts payable	45,975	54,028
Deferred revenue	(8,430)	8,430
Claims and loss adjustment expenses	(361,000)	(38,000)
Net Cash Provided by Operating Activities	**$2,178,606**	**$4,689,416**
	=======	=======

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 with original maturity dates less than 90 days 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.

Credit Risk:

Credit risk is the risk that the issuer of a security will default on principal and interest of the security. NPAIP's policy is to invest in corporate debt issues with a minimum of an "AA" rating from Moody's or Standard and Poor's rating services or U.S. Government and government backed securities. In addition, NPAIP's policy is to diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one issuer will be minimized.

Concentration of Credit Risk:

NPAIP limits investments in fixed income securities to 10% of the total fixed income portfolio to any one issuer. No more than 15% of the total investment pool will be invested in any one class of security, industry or company. NPAIP will not directly invest in securities maturing more than ten (10) years from the date of purchase, except as permitted by law. The policy does not place a limit on the purchase of U.S. Government and government backed securities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Rate Risk:
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NPAIP will, to the extent possible, minimize this risk by matching investment maturities to liability due dates. This allows NPAIP to hold investments to maturity thus mitigating losses from the sale of investments prior to their maturity date. Additionally, exposure to fair value losses arising from decreasing interest rates is minimized by investing predominantly in investments with short to mid-term maturities that perform in line with the return of a managed fund comprised of 1 – 3 year Treasury Bonds.

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
In accordance with Internal Revenue Service code Section 115, organizations formed, operated and funded by political subdivisions may exclude income from those activities that qualify for exclusion. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

Supplementary development schedule - Unaudited
The statements and development schedule reports claims paid on a reported year basis. Loss reserves shown on the financial statements are discounted; however, the development schedule reflects undiscounted loss reserves.

Assessments Discounts
At its annual meeting, the board voted to utilize a portion of its net assets to subsidize cost increases for the liability reinsurance in order to avoid passing the additional costs onto the members for the current fiscal year.

NOTE C – CASH AND INVESTMENTS

The carrying amount of NPAIP's deposits with financial institutions at June 30, 2011 and 2010 was $254,890 and $1,272,660.

The financial institution balance at June 30, 2011 and 2010 was $993,584 and $1,549,719 respectively. The difference between the carrying amount and bank balance results from outstanding checks and/or deposits not yet reflected in the bank's records.

	2011	2010
Amounts insured by FDIC	$250,000	$250,000
Amounts collateralized	658,330	734,155
Cash equivalents at brokerage firm	85,254	565,564
Total deposits at financial institutions	$993,584	$1,549,719

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 SIPC and additional amounts above SIPC coverage limits are insured by the broker through an insurance policy.

A summary of investments as of June 30, 2011 is as follows:

		Investment Maturities in Year			
	Fair value	**1 year or less**	**1 – 5**	**5-10**	**Over 10**
U.S. Treasuries	$6,655,523	$ 66,680	$ 1,023,440	$ 5,565,403	-
U.S Government & Agencies	3,391,913	31,997	1,952,840	1,343,384	63,692
U.S. Mortgage-backed Securities	1,788,291	7,305	157,468	68,753	1,554,765
U.S. Government backed securities	13,691,944	5,376,759	6,218,090	1,755,850	341,245
Total cash and investments	$25,527,671	$5,482,741	$9,351,838	$8,733,390	$1,959,702

A summary of investments as of June 30, 2010 is as follows:

		Investment Maturities in Years			
	Fair value	**1 year or less**	**1 – 5**	**5-10**	**Over 10**
U.S. Treasuries	$5,801,031	-	-	$ 5,801,031	-
U.S Government & Agencies	14,587,067	14,098	11,081,956	3,491,013	-
U.S. Mortgage-backed Securities	2,111,953	-	195,842	338,270	1,577,841
U.S. Government backed securities	4,424,896	-	4,424,896	-	-
Total cash and investments	$26,924,947	$14,098	$15,702,694	$9,630,314	$1,577,841

Actual maturities may differ from contractual maturities as some borrows have the right to call or prepay with or without call or prepayment penalties. Investments are reported at fair value by the investment broker as determined by an outside pricing firm.

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. NPAIP capitalizes equipment and building related expenditures that are greater than $5,000. 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, 2011 was as follows:

	Estimated Useful life (years)	**June 30, 2010**	**Additions**	**Dispositions**	**June 30, 2011**
Land	-	$466,652	-	-	$466,652
Building and improvements	40	1,783,716	-	-	1,783,716
Furniture and equipment	5 – 7	94,857	-	-	94,857
		2,345,225	-	-	2,345,225
Accumulated depreciation		(430,004)	(46,814)	-	(476,818)
		$1,915,221	(46,814)	-	$1,868,407
		=======	=======	=======	========

Property and Equipment activity for the year ended June 30, 2010 was as follows:

	Estimated useful life (years)	**June 30, 2009**	**Acquisitions**	**Dispositions**	**June 30, 2010**
Land	-	$ 466,652	-	-	$ 466,652
Building & improvements	40	1,783,716	-	-	1,783,716
Furniture and equipment	5 - 7	94,857	-	-	94,857
		2,345,225	-	-	2,345,225
Accumulated depreciation		(363,045)	(66,959)	-	(430,004)
		$1,982,180	(66,959)	-	$ 1,915,221
		========	=======	=======	========

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:	2010-2011	2009-2010
Property blanket limit (1)	$200,000	$200,000
Liability per event	$500,000	$500,000
Monies & securities per loss	$500,000	$500,000
Equipment breakdown	$ 50,000	$ 50,000

(1) Plus a $250,000 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.

Property limits :	2010 -2011	2009- 2010
Blanket limit 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)	10,000,000	13,000,000
Products/Completed Operations Aggregate (per member)	not applicable	13,000,000
Wrongful Acts Aggregate (per member)	not applicable	10,000,000
Law Enforcement Aggregate (per member)	not applicable	13,000,000
Emergency Response to Pollution Aggregate Sub-limit:	1,000,000	1,0000,00

NPAIP reinsurance is as follows:
Property 2009-2010: The property limits shown above excess of NPAIP's retentions as follows:
Retention 1: $200,000 per event
Retention 2: $250,000 aggregate excess of $250,000 all members
Retention 3: $250,000 excess of $250,000 per event monies and securities extension

Property 2010-2011 The property limits shown above excess of NPAIP's retentions as follows:
Public Risk Mutual: $50,000 limit per loss subject to $200,000 NPAIP retention all coverages
Travelers Boiler Re: $50,000 NPAIP retention for Equipment Breakdown
Lloyds syndicates: NPAIP retentions $250,000 per occurrence plus $250,000 aggregate all coverages
Except no reinsurance for Equipment breakdown or money and securities

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 district
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. $8,000,000 excess of a, b and c above except $500,000 excess of a, b and c above 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:

	2011	2010
Incurred claims and claim adjustment expenses At the beginning of the fiscal year	$12,785,000	$ 12,823,000
Incurred claims and claim adjustment expenses:		
Provisions for insured events of current year	5,938,000	6,037,000
(Decreases) increase in provision for insured events of prior years	(3,060,511)	(3,778,936)
Total Incurred claim adjustment expenses	2,877,489	2,258,064
Payments:		
Claims and Claim Adjustment Expenses attributable to Insured Events of Current year	(833,000)	(417,000)
Claims and Claim Adjustment Expenses attributable to insured events of prior years	(2,405,489)	(1,879,064)
Total payments	(3,238,489)	(2,296,064)
Total unpaid claims and claims adjustment expenses at fiscal year end June 30	**$ 12,424,000**	**$ 12,785,000**

Current portion of the reserve, cash expected to be paid within 12 months, is $ 4,967,150 and the long-term portion is $7,456,850.

At June 30, 2011 and 2010, 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, 2011 and 2010.

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, 2011. Amounts received for rent totaled $23,964 and $47,928 for the years ending 2011 and 2010.

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 nor 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, 2011 and 2010 was $471,955 and $461,955. Beginning July 1, 2010, PARMS began leasing office space at 201 S. Roop St in Carson City, Nevada and terminating on June 30, 2013. Amounts received for rent in 2011 and 2010 were $62,004 and $60,192 respectively.

Effective July 1, 2006, NPAIP jointly with PACT entered into a grant with 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 Public Agency Compensation Trust members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI.

A renewal of this grant was made for three years beginning July 1, 2009. NPAIP's share of the cost for the first year is $550,000, $566,000 for the second year and $583,500 for the third. Amounts paid by NPAIP under the grant were included in the member education and training expenses in the amounts of $566,500 and $549,996 for the years ending June 30, 2011 and 2010.

NOTE I –CONTRIBUTED SURPLUS TO PUBLIC RISK MUTUAL

In May 2004, NPAIP's board of directors authorized the start up of a member-owned nonprofit captive mutual insurance company and contributed to the surplus of the company with an initial $1,000,000 surplus contribution. The company, named Public Risk Mutual, is domiciled in Nevada and as of September 1, 2004, became the excess property insurer for NPAIP. Subsequent contributions to surplus were made by NPAIP. The cumulative contributions were $12,974,340 as of June 30, 2011 and $7,708,416 as of June 30, 2010. 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 providing surplus contributions, but without any expectation that the funds will be returned, NPAIP will recoup the contributions to surplus. Therefore, management considers the surplus contributions a development cost asset that can provide lower operating costs in the future and estimates that the savings in excess insurance costs to NPAIP will recoup the contributions to surplus. Therefore, the NPAIP's interest in PRM is being amortized over 10 years. Amortization expense was $962,471 and $757,368 for fiscal years ended 2011 and 2010.

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. Receivables from members at June 30, 2010 were $399,446 and there was no receivable as of June 30, 2011.

NOTE K - COPIER LEASE
In April of 2010 NPAIP entered into a lease agreement with Xerox Corporation for a high-speed copy machine. The lease is classified as an operating lease with minimum monthly payments of $364.56. Future minimum lease payments are as follows:

Fiscal year ended:	Amount
2012	$4,375
2013	4,375
2014	4,375
2015	4,010
	$ 17,135
	======

NOTE L –PREPAID CONTRIBUTED SURPLUS TO GEM
Effective July 1, 2011 NPAIP entered into a reinsurance agreement with GEM (Government Entities Mutual) Inc. to provide reinsurance of a portion of the liability program. In order to participate in the program, NPAIP had to provide a surplus contribution of $500,000 in addition to the annual premium. The contribution establishes an account, which can fluctuate over time. If NPAIP terminates the agreement or if a dividend is declared by GEM, NPAIP could receive the entire amount. Amounts paid are to be fully expensed in the next fiscal year.

NOTE M –SUBSEQUENT EVENTS
Management has evaluated the activities and transactions subsequent to June 30, 2011 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2011. Management has evaluated subsequent events through January 6, 2012 which is the date the financial statements were available for issue.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Required Contributions & Investment Income:										
Earned	$8,006,148	$10,688,528	$11,131,225	$11,568,331	$11,786,124	$13,785,893	$14,643,824	$15,184,061	$15,721,731	$14,964,155
Ceded	(2,624,815)	(3,677,614)	(4,057,661)	(3,718,455)	(3,358,462)	(3,758,623)	(3,681,857)	(3,919,235)	(4,388,536)	(4,642,512)
Net Earned	5,381,333	7,010,914	7,073,564	7,849,876	8,427,662	11,212,193	10,961,967	11,264,826	11,333,195	10,321,643
Unallocated Expenses	1,694,114	2,429,581	2,762,681	2,846,143	3,031,993	3,255,602	3,715,519	4,103,075	4,521,913	4,968,874
Estimated Incurred Claims & Expenses End of Policy Year										
Incurred	2,714,000	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000	7,232,000	6,118,000	6,036,000	5,938,000
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	2,714,000	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000	7,232,000	6,118,000	6,036,000	5,938,000
Paid (cumulative) as of:										
End of Policy Year	400,285	637,074	287,229	862,908	434,000	845,000	1,020,000	397,000	417,000	833,000
One Year Later	1,364,292	1,140,140	637,081	1,421,000	936,000	1,764,000	3,301,000	1,078,000	1,546,000	
Two Years Later	1,904,876	1,724,894	861,000	1,717,000	1,380,000	3,209,000	4,041,000	1,767,000		
Three Years Later	2,242,586	2,134,000	942,000	1,935,000	1,973,000	3,832,000	4,403,000			
Four Years Later	2,429,000	2,505,000	1,151,000	2,043,000	2,169,000	3,836,000				
Five Years Later	2,427,000	2,705,000	1,196,000	2,150,000	2,212,000					
Six Years Later	2,330,000	2,789,000	1,198,000	2,269,000						
Seven Years Later	2,331,000	2,803,000	1,140,000							
Eight Years Later	2,325,000	2,808,000								
Nine Years Later	2,235,000									
Re-estimated ceded claims & expenses	6,001,859	114,643	-	757,715	442,343	765,501	12,222,523	-	-	269,729
Re-estimated Claims & Expenses										
End of Policy Year	2,714,000	3,324,422	3,753,413	3,626,034	4,355,000	5,498,000	7,232,000	6,118,000	6,036,000	5,938,000
One Year Later	3,042,000	3,774,000	3,019,000	3,482,000	3,676,000	3,676,000	6,844,000	4,793,000	4,953,000	
Two Years Later	3,189,000	2,877,000	2,010,000	3,431,000	3,054,000	5,344,000	5,972,000	3,921,000		
Three Years Later	2,936,000	2,815,000	1,547,000	2,755,000	2,838,000	4,714,000	5,353,000			
Four Years Later	2,689,000	2,903,000	1,453,000	2,599,000	2,599,000	4,260,000				
Five Years Later	2,562,000	2,894,000	1,256,000	2,315,000	2,493,000					
Six Years Later	2,383,000	2,863,000	1,218,000	2,352,000						
Seven Years Later	2,341,000	2,820,000	1,145,000							
Eight Years Later	2,329,000	2,818,000								
Nine Years Later	2,329,000									
Increase (Decrease) in Estimated Claims & Expense from End of Policy Year	(385,000)	(506,422)	(2,608,413)	(1,274,034)	(1,862,000)	(1,238,000)	(1,879,000)	(2,197,000)	(1,083,000)	-