

**PUBLIC AGENCY COMPENSATION TRUST
FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Executive Director and the Board of Directors
Public Agency Compensation Trust

Report on the Financial Statements

We have audited the accompanying statements of net position of the Public Agency Compensation Trust a non-profit corporation, as of June 30, 2015 and 2014 and the related statements of revenues and expenses and changes in net position and statements of changes in cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Public Agency Compensation Trust as of June 30, 2015 and 2014 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 10 year claims development schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A supplemental schedule of unpaid loss liabilities for workers compensation and heart and lung claims, though not required, is also provided. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bertrand & Associates, LLC

October 7, 2015
Carson City, Nevada

Management's Discussion and Analysis

Purpose:

To further understanding of significant financial issues, this Public Agency Compensation Trust (PACT) management's discussion and analysis

- Provides an overview of PACT's financial activities,
- Identifies significant changes in PACT's financial position and its ability to address subsequent year financial challenges, and
- Provides insights into the long-term financial viability of PACT.

Background:

PACT is subject to 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*. PACT's financial information must be accompanied by enhanced analysis, both short and long term, and explanations of significant financial statement elements. Since PACT 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. PACT also is regulated by the Nevada Division of Insurance as an association of self-insured public agencies and must file certain financial schedules in addition to the GASB required information.

Using this Annual Report:

Since the financial statements report information about PACT using accounting methods similar to those used by private sector organizations, these statements offer short and long term financial information about PACT's activity. The financial statements show a comparison of two audited years ending June 30, 2014 and June 30, 2015 to facilitate understanding of changes in the financial position over time.

The Statement of Net Position includes all of PACT'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 solvency, liquidity and financial flexibility of PACT.

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

The Statement of Cash Flows serves to provide information about PACT'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 PACT 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:

Statutory requirements and board policy require PACT to be audited each year by an independent auditor. Since its inception on April 1, 1996 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.

Changes in Net Position:

Fiscal year ended June 30, 2015: \$47,790,198

Fiscal year ended June 30, 2014: \$45,603,678

Net increase: \$2,186,520 or 4.7%.

PACT's primary revenue source comes from Member contributions to PACT's Loss Fund, administrative budget and reinsurance and excess insurance costs. Interest income on investments constitutes the secondary revenue source.

Total assessments revenues:

Fiscal year ended June 30, 2015: \$16,486,613

Fiscal year ended June 30, 2014: \$15,701,455

Net increase: \$788,158 or 5.0%.

The increase resulted from increased rates and an increased payroll exposure basis.

Total expenses:

Fiscal year ended June 30, 2015: \$15,371,310

Fiscal year ended June 30, 2014: \$15,524,182

Net decrease: (\$152,872) or (.9) %.

One factor that contributed to this change was a decrease in the provision for claims reserves by \$668,557. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years.

Operating Net Position:

Fiscal year ended June 30, 2015: \$1,115,303

Fiscal year ended June 30, 2014: \$177,273

Net change: \$938,030

Total provision for claims reserves decreased by \$668,557; Insurance Division Fees decreased by \$67,637; and professional services decreased by \$42,152 primarily due to nonrecurring bi-annual claims audit expenses.

Non-operating net investment income:

Fiscal year ended June 30, 2015: \$1,071,217

Fiscal year ended June 30, 2014: \$719,212

Net change: \$352,005

Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Somewhat improved economic conditions during this fiscal year for fixed income investments contributed to the positive change. Restrictions imposed by law on the types of investments PACT may utilize are similar to other local governments. The investment portfolio consists of governmental type investments which, if held to maturity, will yield the respective coupon rates although interim performance may lag. Most of PACT's investments are anticipated to be held to maturity.

Assets:

In fiscal year ended June 30, 2015, the Net Position change from June 30, 2014 saw a positive swing of \$2,186,520. There was no negative net investment income on a marked to market basis and Operating Net Position increased positively as well. An explanation about how these results were achieved was provided in the financial highlights.

Amortization of contributions to Public Compensation Mutual (PCM), the PACT- owned non-profit captive mutual insurance company, reflects a conservative financial accounting approach (refer to Note 13). By board policy, if there are gains, then a portion of those gains may be transferred to PCM. A transfer of 50% of the net asset gains for the year ended June 30, 2014 was authorized.

Growing the asset base is important to the long term viability and stability of PACT due to the volatility of workers compensation claims and the level of retention taken by PACT. PACT has maintained its retention level and relies in part on PCM to take any additional retention with the contributed assets.

Revenues, Expenses and Changes in Assets:

Gross revenues (assessments plus non-operating net investment income) increased by 6.9% for fiscal year ended June 30, 2015 partially as a result of a rate and exposure basis increases coupled with an increase in net investment income.

Actuarial:

The actuarial analysis for the current fiscal year revealed a decrease in case reserves and IBNR reserves over prior years' estimated incurred losses. Refer to Note 11 for the details of Unpaid Loss Liabilities.

Other factors also apply:

- 1) Alternative Risk Services' (ASC -PACT's claims administrator) experienced adjusters have been able to manage claims efficiently and effectively and have maintained quality as evidenced by external claims audits;
- 2) SpecialtyHealth, the managed care organization and MCMC, the bill reviewer, for PACT helped the adjusters manage claims and costs effectively,
- 3) Loss control efforts have proven effective and further initiatives are being implemented, and
- 4) The continuing roll-out of the Cardiac Wellness Program that should help reduce potential heart claims, although implementation impediments continue to slow down the program.

It is important to continue to strengthen these approaches to assure continued success for PACT.

Workers compensation self-funded programs experience significant volatility particularly when the retention levels per loss are high. Because PACT retains a substantial portion of the risk in all classifications, it is important to the long term viability of PACT and to assure its ability to meet its obligations to injured workers that PACT monitor its Net Position. We continue to face pressure to increase our retentions in light of medical and wage inflation trends as well as market pressures, which suggests that volatility will further increase and will need to be cushioned strongly. PACT management, consistent with board policy, selected a 70% actuarial confidence level as a prudent level in keeping with the PACT Board's goals of creating and sustaining a durable financial position. As described earlier in the Changes in Net Position discussion, Net Position is affected by amortization of transfers of funds to PCM consistent with the board's policy on Capitalization. PACT maintains an interest in PCM as its sole policyholder and is entitled to a return of those capital contributions before any other distributions can be made by PCM.

Capital Assets and Debt Administration:

PACT has no physical assets and no borrowed funds. It has pledged certain investments to satisfy a regulatory solvency security requirement and thus, cannot access those funds without approval from the Nevada Division of Insurance.

Comparative Key Performance Indicators:

Financial Ratios	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Total Revenue	\$ 12,778,111	\$ 13,740,006	\$ 14,320,208	\$ 15,701,455	\$ 16,486,613
Revenue over (under) Expenses	\$ 271,155	\$ (1,613,147)	\$ (1,839,493)	\$ 896,485	\$ 2,186,520
Operating Net Position	\$ (1,138,622)	\$ (4,103,018)	\$ (1,569,226)	\$ 177,273	\$ 1,115,303
Non-operating Net Investment Income	\$ 1,409,777	\$ 2,489,871	\$ (270,267)	\$ 719,212	\$ 1,071,217
Total Assets	\$ 76,488,418	\$ 79,370,901	\$ 80,347,217	\$ 83,611,339	\$ 88,670,007
Total Liabilities	\$ 28,328,585	\$ 32,824,215	\$ 35,640,024	\$ 38,007,661	\$ 40,879,809
Net Position	\$ 48,159,833	\$ 46,546,686	\$ 44,707,193	\$ 45,603,678	\$ 47,790,198
Net Position to SIR (Board Target 12:1); Benchmark >5:1	94.43	93.09	89.41	91.21	95.58
SIR to Net Position (Benchmark: captives <.10; group captives <.25)	0.01	0.01	0.01	0.01	0.01
% Assets attributable to Net Position	63.0%	58.6%	55.6%	54.5%	53.9%
Total assets/total liabilities	2.70	2.42	2.25	2.20	2.17
Revenues to Net Position (Benchmark: <2.5:1 and >0	0.27	0.30	0.32	0.34	0.34
Loss Reserves to Net Position (discounted): Benchmark <3:1 and >0	0.37	0.41	0.44	0.45	0.46
Total liabilities to liquid assets: Benchmark <100%	146%	180%	123%	133%	123%
Change in members' Net Position: >-10%	0.6%	-3.3%	-4.0%	2.0%	4.8%
Return on Net Position: Net Operating Income/Net Position	-2.4%	-8.8%	-3.5%	0.4%	2.3%
Return on Net Position: Total Income/Net Position	0.6%	-3.5%	-4.1%	2.0%	4.6%

Economic Factors:

For fiscal year ending June 30, 2015, economic conditions showed signs of improvement with some growth continuing for the nation and Nevada. Medical inflation still exceeds the general inflation rate and this affects the underlying costs of claims payable by PACT. There may be future unknown effects from implementation of the Patient Protection and Affordable Care Act as its impact on health care costs unfolds. While Nevada retains a fee schedule to limit cost increases, recent reviews of the fee schedule components resulted in increases in the last few years. Wage inflation generally is low in the public sector, which keeps disability costs down. A legislative change in 2003 resulted in adoption of the 5th Edition of the AMA guide to rating impairments, which increased costs overall. The 2009 Legislature fixed the 5th Edition into statute rather than having the most current edition be implemented by regulation. The 6th edition would have reduced costs in several key ratings of impairments due to recognition of improved medical outcomes.

The Nevada Supreme Court reached a decision in 1998 interpreting the special provisions for heart and lung coverage for qualifying police officers and firefighters that concluded that once these persons meet the five years of continuous service eligibility for benefits, those benefits are available for life regardless of any connection to actual work at the time the claims is made. Staff immediately implemented a judgment loading in the rates for this new interpretation of the statute, pending legislative action. PACT unsuccessfully attempted to have the Legislature modify this court interpretation to require that the claim must manifest within a reasonable time frame from leaving the workplace. As a result of that failed effort, PACT undertook an actuarial study to estimate the lifetime cost of risk associated with this decision. That study was concluded and the results indicated that the present value of the future benefits for former employees was estimated to range from \$5,668,000 to \$22,258,000, depending upon the interpretation as to which legal theory may be applicable. A subsequent actuarial study confirmed a change in the range of values to between twenty and eighty million, again depending upon the assumptions made about claims manifestation.

These figures were presented to a task force who recommended to the board that they eliminate the judgment loading and implement a funding plan based on the actuarial study effective with the subsequent fiscal year. The board adopted

the funding plan for implementation effective July 1, 2002. By taking this action, the board began its mitigation plan for the long-term adverse financial impact of the risk of former police officers and firefighters filing workers compensation claims long after employment. Subsequently, the board authorized acceleration of the funding rate. The rate set in 2002 was increased by 10% as a result of the second actuarial study that increased the range of potential losses from prior studies and demonstrated the need to accelerate needed assessments in future fiscal years as demographic factors begin to influence the post-employment risks.

The heart/lung assessments collected for fiscal year ended June 30, 2015 were \$2,363,685 compared to June 30, 2014 which were \$2,130,944 based upon a continuing 10% increase in the rates with a flat change in payroll basis. PACT sought relief before the United States Supreme Court to address the question of the constitutionality of the post employment conclusive presumption of eligibility for workers compensation for police officers and firefighters, but was denied review.

We continue to experience adverse rulings at hearing and appeal levels regarding heart-lung cases. Political actions to increase benefits continues each legislative session, particularly by law enforcement and firefighter lobbyists, and that causes pressure by excess insurers and reinsurers to increase PACT's retention or cause increased costs or both, which would require rate increases or weaken the financial position. Demographically, there is an emerging and accelerating likelihood of additional heart-lung claims from both current and post-employment eligible law enforcement officers and firefighters. PACT supported a bill brought forth in 2011 by Sen. Rhoades on behalf of the Nevada Taxpayers Association that would have capped post-employment eligibility, but the bill died in the Assembly. Similar legislation was attempted in 2013, but no sponsor would step forward. In 2015, a modest change was approved which maintains the current benefits for employees with over 20 years of service, but reduces the initial eligibility from 5 years to 2 years and if leaving employment prior to 20 years the post-employment eligibility period becomes year for year of service. No actuarial estimate has been completed, but preliminary indications are for a neutral effect on the costs.

Prior to the 2013 Legislative Session, the Committee on Local Government Finance adopted a temporary regulation requiring self-insured employers and associated self-insured groups to report certain actuarial reserve projections, claims data and funding methods for the reserves on a form known as Form 33 in connection with the tentative budget. Such information was to be compiled by the Department of Taxation for the benefit of the Legislature and the public regarding the cost of these benefits. PACT filed its required report. In 2014, the temporary regulation was submitted to the Legislative Commission for final approval, but has been stalled.

Subsequent Events:

There were no subsequent events that would affect the financial statements for the current fiscal year. There was a subsequent event reported for the June 30, 2014 audit that affected the June 30, 2015 results. MCMC is PACT's medical bill review company. They had a programming error that was discovered by ASC back in March 2014 and led to an investigation and analysis of overpayments and underpayments to medical providers over the last five years. A claims settlement agreement was reached between MCMC and ASC to reimburse PACT and other ASC clients affected. ASC will reimburse PACT for the amount of its MCMC overpayments: \$249,668.50. MCMC and PACT entered into a subrogation agreement enabling MCMC to seek to collect the overpayments from the medical providers. The PACT portion of underpayments was: \$17,143.48, which MCMC will process to the medical providers as billing reconsiderations. MCMC agreed to establish quality assurance measures to avoid such system errors in the future and is submitting quarterly sampling reports to ASC to verify data.

Requests for Information:

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

Wayne Carlson
Executive Director, Public Agency Compensation Trust

PUBLIC AGENCY COMPENSATION TRUST
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 1,626,906	\$ 3,704,609
Investments	66,074,207	56,655,983
Investment income receivable	336,155	297,836
Member assessments receivable	4,425,271	4,287,129
Specific recoverable	127,624	49,148
Commissions receivable	63,821	61,661
Receivable from State of Nevada	-	301,166
Prepaid expenses	46,358	32,364
Total current assets	<u>72,700,342</u>	<u>65,389,896</u>
Noncurrent assets:		
Pledged investments	4,551,292	4,516,692
Contributed surplus PCM, net	11,418,373	13,704,751
Total noncurrent assets	<u>15,969,665</u>	<u>18,221,443</u>
TOTAL ASSETS	<u>88,670,007</u>	<u>83,611,339</u>
LIABILITIES		
Current liabilities:		
Accounts payable	208,800	160,789
Commissions payable	61,621	-
Specific recoverable	127,624	49,148
Current portion of reserve for claims losses	6,125,004	6,294,103
Total current liabilities	<u>6,523,049</u>	<u>6,504,040</u>
Noncurrent liabilities:		
Reserve for Worker's Compensation claims losses	16,488,996	16,011,897
Reserve for Heart & Lung claims losses	17,867,764	15,491,724
Total noncurrent liabilities	<u>34,356,760</u>	<u>31,503,621</u>
TOTAL LIABILITIES	<u>40,879,809</u>	<u>38,007,661</u>
NET POSITION - unrestricted	<u>47,790,198</u>	<u>45,603,678</u>
TOTAL NET POSITION	<u>\$ 47,790,198</u>	<u>\$ 45,603,678</u>

See accompanying notes

PUBLIC AGENCY COMPENSATION TRUST
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2015 and 2014

REVENUES	<u>2015</u>	<u>2014</u>
Assessments for workers compensation	\$ 14,122,928	\$ 13,570,511
Assessments for heart and lung	2,363,685	2,130,944
Total Revenues	<u>16,486,613</u>	<u>15,701,455</u>
 LOSS FUND AND PROGRAM EXPENSES		
Claims and adjustment expenses	5,091,253	6,032,574
Heart and Lung loss expenses	2,419,158	2,146,394
Excess insurance premium	419,286	504,052
Re-insurance premium	1,207,000	674,000
Underwriting and claims processing	732,434	684,495
Total loss fund and program expenses	<u>9,869,131</u>	<u>10,041,515</u>
 ADMINISTRATION EXPENSES		
Management fees	462,000	490,140
Professional services	83,496	125,648
Administrative and overhead	372,829	422,052
Member education and services	856,430	705,282
Risk management grants	56,089	17,864
Insurance Division fees	509,629	577,266
Insolvency fund and related expenses	19,586	22,471
Loss control expenses	407,500	406,000
Amortization expense	2,734,620	2,715,944
Total administration expenses	<u>5,502,179</u>	<u>5,482,667</u>
Increase (decrease) in operating net position	<u>1,115,303</u>	<u>177,273</u>
Increase in non-operating net investment income	1,071,217	719,212
Increase (decrease) in net position	<u>2,186,520</u>	<u>896,485</u>
Net position, beginning of year	45,603,678	44,707,193
Net position, end of year	<u>\$ 47,790,198</u>	<u>\$ 45,603,678</u>

See accompanying notes

**PUBLIC AGENCY COMPENSATION TRUST
STATEMENTS OF CASH FLOWS
For Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Assessments and other revenues	\$ 16,412,845	\$ 14,688,504
Payment for claims	(4,826,371)	(5,759,023)
Payment to vendors	<u>(5,156,636)</u>	<u>(4,571,542)</u>
Net cash provided from operating activities	6,429,838	4,357,939
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributed surplus to Public Compensation Mutual	<u>(448,242)</u>	-
Net cash used for capital and related financing activities	(448,242)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and net realized investment income	1,458,006	1,319,982
Sale of investments	32,312,493	16,356,582
Purchases of investments	<u>(41,829,798)</u>	<u>(21,760,558)</u>
Net cash used for investing activities	<u>(8,059,299)</u>	<u>(4,083,994)</u>
(Decrease) increase in cash and cash equivalents	(2,077,703)	273,945
Cash and cash equivalents, beginning of fiscal year	3,704,609	3,430,664
Cash and cash equivalents, year ended June 30	<u>1,626,906</u>	<u>3,704,609</u>
RECONCILIATION FOR OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating net income	1,115,303	177,273
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) Member assessments receivable	(138,142)	(1,012,950)
(Increase) decrease Specific recoverable	(78,476)	37,180
(Increase) decrease Prepaid expenses	(13,994)	13,184
Increase Accounts payable	48,011	44,544
Increase (decrease) Specific recoverable	78,476	(37,180)
Increase Amortization of contributed surplus	2,734,620	2,715,944
Increase Loss reserves	2,684,040	2,419,944
Net cash provided by operating activities	<u>\$ 6,429,838</u>	<u>\$ 4,357,939</u>

See accompanying notes

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of program

Public Agency Compensation Trust (PACT) was formed by local governments for the purpose of organizing a self-insured workers' compensation group. The Trust began operations April 1, 1996. The trust's objective is to provide members with a lower cost alternative achieved through enhanced claims management, program administration, and member services that will reduce the cost of claims.

PACT provides workers' compensation coverage to member governmental entities and hospitals pursuant to state statutes. The program is fully funded by member entities and is governed by a Board of Trustees comprised of representatives of each member. Any member may withdraw from the program by giving 120 days notice. PACT's independent actuary, who is an approved Rate Service Organization, develops PACT rates.

Principles of presentation

PACT has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. PACT prepares its financial statements on the accrual method of accounting recognizing income when earned and expenses when incurred. PACT has implemented Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and *GASB Statement 38, Certain Financial Statement Note Disclosures*.

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.

Measurement focus and basis of accounting

The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash and cash equivalents

The Operating Fund has a checking account, money market investment account, and an investment account for long-term investments. For the purposes of the Statement of Cash Flows, the PACT considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Claims Fund has two checking accounts, one for payment of claims and the other for claims related expenses as required by Nevada Revised Statute 616B.368.

Investments and investment income

Investments consist predominantly of government and government backed securities and are reported at their fair value in the statement of position. Fair value is determined utilizing the market value of the investments as reflected on the applicable brokerage statements. Net increases and decreases in the fair value are included in the statement of activities and changes in fund balances.

PACT is authorized to make investments in bonds and debentures of the United States, bills and notes of the U.S. Treasury, and in high-grade equity securities. PACT also is authorized to purchase negotiable certificates of deposit issued by commercial banks or insured savings and loan associations. PACT's investments have been restricted by policy of the Board to those allowable for local governments.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget

Budgetary to actual results is not presented as there are no legal budgetary requirements.

Credit Risk:

Credit risk is the risk that the issuer of a security will default on principal and interest of the security. PACT'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, PACT'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:

PACT 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. PACT 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.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PACT will, to the extent possible, minimize this risk by matching investment maturities to liability due dates. This allows PACT 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.

Member Assessments

Member assessments and reports are due 20 days after the end of the quarter. Assessment rates are based on independent actuarial estimates that are reviewed and approved by the Insurance Commissioner.

Losses and loss adjustment expense

Reserves for losses and allocated loss adjustment expenses are provided based on case-based estimates for losses reported and PACT'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 based on an evaluation prepared by management and an independent consulting actuary. Although such estimates are best estimates of the expected values, the actual results may vary from these values.

The liability represents the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors. The liability also includes unallocated costs which are estimated by management. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. The loss reserve estimates are discounted at 3% in 2015 and 2014, the expected investment rate, to show the present value of those reserves.

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.

Insurance Division Annual Fees

The Insurance Division annually assesses fees to the Trust based on prior year's claims expenditures. It is the policy of management to record the invoice or credit received each year as the expense or credit to the expense for that year as these invoices cannot be reasonably estimated and therefore accrued.

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.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – CASH & EQUIVALENTS

The carrying amount of PACT's deposits with financial institutions at June 30, 2015 and 2014 are \$1,626,907 and \$3,704,609 respectively. The financial institution balances were \$1,858,164 and \$4,009,762 respectively. The difference between the carrying amounts and financial institution balances results from outstanding checks and deposits not yet reflected in the bank's records.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Amounts insured by FDIC	\$ 250,000	\$ 250,000
Amounts collateralized	332,248	308,930
Cash equivalents at brokerage firm	<u>1,275,916</u>	<u>3,450,832</u>
Total deposits at financial institutions	<u>\$ 1,858,164</u>	<u>\$ 4,009,762</u>

PACT 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 up to the SPIC insurance limit are insured through SPIC and additional amounts are insured by the broker through an insurance policy.

NOTE 3 – INVESTMENT SECURITIES

A summary of investments as of June 30, 2015 is as follows:

	<u>Fair Value</u>	Investment Maturities in Years			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 22,332,441	\$ 329,200	\$ 15,171,899	\$ 6,070,844	\$ 760,498
U.S. Government & Agencies	3,368,213	-	2,819,492	506,285	42,436
U.S. Mortgage-backed securities	35,867,795	599,958	11,074,387	5,735,307	18,458,143
U.S. Government backed securities	8,311,642	-	2,955,891	4,348,511	1,007,240
Less pledged investments	<u>(3,805,884)</u>	-	<u>(3,805,884)</u>	-	-
Total investments	<u>\$ 66,074,207</u>	<u>\$ 929,158</u>	<u>\$ 28,215,785</u>	<u>\$ 16,660,947</u>	<u>\$ 20,268,317</u>

A summary of investments as of June 30, 2014 is as follows:

	<u>Fair Value</u>	Investment Maturities in Years			
		<u>1 year of less</u>	<u>1-5</u>	<u>5-10</u>	<u>Over 10</u>
U.S. Treasuries	\$ 23,761,752	\$ 1,911,976	\$ 18,809,466	\$ 3,040,310	\$ -
U.S. Government & Agencies	5,077,952	2,106,846	2,918,390	-	52,716
U.S. Mortgage-backed securities	7,505,345	928,634	4,185,033	1,299,480	1,092,198
U.S. Government backed securities	24,252,622	676,920	6,439,322	2,460,079	14,676,301
Less pledged investments	<u>(3,941,688)</u>	-	<u>(3,941,688)</u>	-	-
Total investments	<u>\$ 56,655,983</u>	<u>\$ 5,624,376</u>	<u>\$ 28,410,523</u>	<u>\$ 6,799,869</u>	<u>\$ 15,821,215</u>

Investment income receivable was \$336,155 on June 30, 2015 and \$297,836 on June 30, 2014.

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay with or without call or prepayment penalties. Restricted investments are those investments pledged to the Insurance Commission. Investments are reported at fair value by the investment broker as determined by an outside pricing firm. All securities are U.S Government or government backed.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4 – MEMBER ASSESSMENTS RECEIVABLE

Member assessments receivable were \$4,425,271 and \$4,287,129 for the years ended June 30, 2015 and 2014. Amounts receivable at both years' end are primarily assessments for the last quarter of the fiscal year and are determined based on the annual payroll audits.

NOTE 5 – LIABILITY OF MEMBERSHIP

Members of PACT are jointly and severally liable to pay benefits to injured workers as required by law. Workers compensation pools can be subject to assessments by the Insurance Commissioner should other self-insured workers compensation pools encounter financial difficulties.

NOTE 6 – REINSURANCE & EXCESS INSURANCE

In the ordinary course of business, PACT maintains both reinsurance and excess insurance contracts with various insurance carriers through their broker company, Willis Pooling. These reinsurance and excess insurance contracts provide both a specific and an aggregate limit of liability to protect PACT against potentially large losses or an accumulation of losses. This provides coverage in excess of PACT's self-insured retention. The limits provided by these reinsurance and excess insurance contracts, including PACT's self-insurance retention, are as follows:

1) Safety National Casualty Company provides a statutory specific limit of liability per accident excess of PACT's self-insured retention per accident of \$3,000,000. PACT reinsures a portion of PACT's \$3,000,000 retention through Public Compensation Mutual, which bears \$500,000 excess of PACT's \$500,000 specific retention plus 25% of \$2,000,000 excess of PACT's \$1,000,000 retention and through County Reinsurance, Ltd., which bears 75% of \$2,000,000 excess of PACT's \$1,000,000 retention.

2) Safety National Casualty Company provides a limit of liability of \$3,000,000 excess of an aggregate retention of \$3.68 per \$100 of payroll, subject to a minimum aggregate retention of \$9,663,733 and \$9,814,330 for years ended June 30, 2015 and 2014. PACT reinsures a portion of PACT's aggregate excess limit of \$3,000,000 through Public Compensation Mutual which bears 50% of PACT's annual aggregate excess limit and through Safety National Casualty Company which bears 50% of PACT's annual aggregate excess limit.

Both Public Compensation Mutual and County Reinsurance, Ltd. are captive insurance companies in which PACT has a financial interest.

NOTE 7 - RELATED PARTY TRANSACTIONS

Public Agency Risk Management Services, Inc. (PARMS) is presently contracted to provide management services. PARMS serves both PACT and the Nevada Public Agency Insurance Pool (POOL) as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Management fees paid under the contract for years ended June 30, 2015 and 2014 were \$462,000 and \$490,140 respectively. The management contract agreement was renewed with PARMS commencing July 1, 2014 and terminating on June 30, 2019 with an option to extend with the same terms and conditions for an additional two years. A 3% annual increase for management fees is included in the contract. Minimum future payments are as follows:

2016	\$	475,860
2017		490,136
2018		504,840
2019		519,985
Total minimum future payments	\$	<u>1,990,821</u>

**PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 7 - RELATED PARTY TRANSACTIONS (continued)

PARMS is under obligation to lease office space from the Nevada Public Agency Insurance Pool throughout the term of the management contract. Payments made in 2015 and 2014 were \$67,092 and \$65,772. The contract includes a 2% per annum increase in the lease expenses beginning on July 1, 2014.

Many of the board members of the Nevada Public Agency Insurance Pool (POOL) are also members of PACT as they share a common membership. The board of Public Compensation Mutual comprises of several PACT board members. PACT is the sole policy holder of Public Compensation Mutual Company which was formed as a captive insurance company.

PACT jointly with Nevada Public Agency Insurance Pool (NPAIP) provided 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 pays PARMS a management fee to provide operational and financial oversight of PRI. Subsequent to June 30, 2015, PRI directors Wayne Carlson and Michael Rebaleati resigned from the PRI board.

NOTE 8 – PLEDGED INVESTMENTS

According to NRS 616B.353.1(d) and (e) and related regulations, an association of self-insured employers must deposit with the Commissioner a bond or other authorized security, payable to reasonably secure payment of the workers compensation benefits to employees. The amounts pledged for years ended June 30, 2015 and 2014 were \$4,551,292 and \$4,516,692. In the event that PACT becomes delinquent in its payment of workers compensation benefits, the proceeds will be used to satisfy losses, costs or expenses incurred by the Insurance Division. The minimum required deposit for years ended June 30, 2015 and 2014 were \$3,351,000 and \$3,917,288 respectively. Management does not intend to withdraw available funds, however, a withdrawal of funds in excess of the minimum required deposit is available upon giving notice to and receiving approval from the Nevada Division of Insurance.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash equivalents	\$ 681,417	\$ 511,038
Investments	3,805,884	3,941,688
Investment income receivable	63,991	63,966
Total	<u>\$ 4,551,292</u>	<u>\$ 4,516,692</u>

NOTE 9 – HEART AND LUNG LOSS FUND

The Heart and Lung Loss Fund reflects special reserves set aside for the purpose of covering post-employment heart or lung disease claims that may be the responsibility of PACT members pursuant to the Last Injurious Exposure Rule interpretation of the law and court cases that determined that coverage for such claims applies to former employees who meet the statutory eligibility requirements for the heart and lung disease benefit.

Post-employment claims historically have not been reflected in rate classifications for the appropriate police officer and firefighter classifications. The actuarial projections of loss and loss adjustment expense are intended to be fully funded, thus assessments for this fund are offset 100% by claims reserves. Management followed this conservative approach because of the uncertainty and volatility inherent in this specific risk. The reserve for 2015 and 2014 is \$17,867,764 and \$15,491,724 respectively.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 10 – ALLOCATION OF ASSESSMENTS REVENUES

The Nevada Revised Statute 616B.368 requires that 75% of assessment revenues collected be placed in a separate account and that disbursements from this account be limited to paying claims, claims related expenses, excess insurance costs, assessments, payments and penalties related to the subsequent injury fund and the uninsured employer's claim fund. Initially, all funds collected for member assessments and prepayments of assessments and deposits are deposited into the operating account. Periodically, 75% of the assessments are transferred to a separate bank or investment account to comply with this statute.

NOTE 11 – UNPAID LOSS LIABILITIES

PACT establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related loss adjustment expenses. The following represents changes in those aggregate liabilities during the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unpaid losses and loss adjustment expenses at beginning of year or period	<u>\$ 37,797,724</u>	<u>\$ 35,377,780</u>
Incurring losses and loss adjustment expenses:		
Provision for insured events of current year	8,641,685	8,695,968
Increase (decrease) in provision for insured events of prior fiscal years	<u>(1,131,274)</u>	<u>(517,000)</u>
Total incurred losses and loss adjustment	7,510,411	8,178,968
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year/period	(1,508,000)	(1,565,000)
Claims and claims adjustment expenses attributable to insured events of prior	<u>(3,318,371)</u>	<u>(4,194,024)</u>
Total Payments	(4,826,371)	(5,759,024)
Unpaid claims and claims adjustment expenses at end of fiscal year	<u>\$ 40,481,764</u>	<u>\$ 37,797,724</u>

The current portion of the long term loss reserve for 2015 and 2014 is \$6,125,004 and \$6,294,103 with the long term portion for 2015 and 2014 being \$34,356,760 and \$31,503,621. Incurred losses and loss adjustment expenses are comprised of two significant factors. Provisions for events of the current year decreased from \$8,695,968 for 2014 to \$8,641,685 for 2015. The decrease in the provision for insured events of prior fiscal years for 2015 and 2014 reflects changes in case reserves and actuarial reserve calculations for all prior years cumulatively. Individual case reserves may increase or decrease as the case develops over time for various reasons. This may affect actuarial projections for past and future years since the various actuarial methodologies are based both on individual case reserve changes and long term trends in reserves. The effect of both the individual case reserve changes over time and the actuarial projections combined may result in a significant increase or decrease that is reflected in the current year's audited net assets. In other words, a decrease in reserves results in an increase in net assets, while an increase in reserves reduces net assets.

PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 12 – POOLING RESOURCES , INC. GRANT

Effective July 1, 2006, Nevada Public Agency Insurance Pool (NPAIP) jointly with PACT provided 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. The cost of this grant was \$546,500 and \$535,500 for June 30, 2015 and 2014 respectively. The grant was renewed for five years beginning July 1, 2015 with future costs being as follows:

Minimum future payments:

2016	\$ 565,000
2017	582,000
2018	599,500
2019	611,500
2020	<u>624,000</u>
Total payments	<u>\$2,982,000</u>

PRI provides human resources management services to PACT members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI.

NOTE 13 – SURPLUS CONTRIBUTION TO PUBLIC COMPENSATION MUTUAL COMPANY

In May of 2007, PACT’s board of directors authorized the start up of a member-owned nonprofit captive mutual insurance company and contributed surplus to the company in the amount of \$5,000,000 and subsequent additional surplus contributions have been added. Capitalization at June 30, 2015 was \$27,607,679 with accumulated amortization of \$16,189,306 for a net amount of \$11,418,373. Capitalization at June 30, 2014 was \$27,159,437 with accumulated amortization of \$13,454,686 for a net amount of \$13,704,751.

The company, named Public Compensation Mutual, (“PCM”) is domiciled in Nevada and as of July 1, 2007, became one of the workers compensation reinsurers for PACT. Some of the Public Compensation Mutual’s board members also serve as board members of PACT. In 2014, PCM converted from an association captive model to a pure captive model, which makes PACT the owner of PCM directly. This reduces certain administrative costs of PCM, which inures to PACT’s benefit through reduced reinsurance charges.

Public Compensation Mutual was formed by members of PACT 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 contributed surplus, but without any expectation that the funds will be returned, PACT required that prior to any distributions such as dividends, the contributed surplus must be repaid to PACT.

Management considers the contributed surplus costs a development cost that can provide lower operating costs in the future and estimates that the savings in reinsurance costs to PACT will recoup the startup capital. Therefore, the PACT’s contributed surplus to PCM will be amortized over 10 years. The financial statements of PCM are audited annually by an independent auditing firm.

**PUBLIC AGENCY COMPENSATION TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 14 –SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to June 30, 2015 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2015. Management has evaluated subsequent events through October 7, 2015 which is the date the financial statements were available for issue.

Supplemental Schedule On Unpaid Loss Liabilities for Workers Compensation and Heart Lung

PACT establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related loss adjustment expenses. The following represents changes in those aggregate liabilities for the workers compensation and heart and lung coverages during the years ended June 30, 2015 and 2014:

	2015			2014		
	Workers Compensation	Heart & Lung	Total	Workers Compensation	Heart & Lung	Total
Unpaid losses and loss adjustment expenses at beginning of the year	\$22,306,000	\$15,491,724	\$37,797,724	\$22,017,000	\$13,360,780	\$35,377,780
Incurred losses and loss adjustment expenses:						
Provision for insured events of current year	6,278,000	2,363,685	8,641,685	6,549,574	2,146,394	8,695,968
Increase (decrease) in provision for insured events of prior fiscal year	(1,186,747)	55,473	(1,131,274)	(517,000)	-	(517,000)
Total incurred losses and loss adjustments	5,091,253	2,419,158	7,510,411	6,032,574	2,146,394	8,178,968
Payments:						
Claims and claim adjustment expense attributable to insured events of current year	(1,508,000)	-	(1,508,000)	(1,565,000)	(15,450)	(1,580,450)
Claims and claims adjustment expense attributable to insured events of a prior period	(3,275,253)	(43,118)	(3,318,371)	(4,178,574)	-	(4,178,574)
Total payments	(4,783,253)	(43,118)	(4,826,371)	(5,743,574)	(15,450)	(5,759,024)
Unpaid claims and claims adjustments expenses at end of fiscal year	\$22,614,000	\$17,867,764	\$40,481,764	\$22,306,000	\$15,491,724	\$37,797,724

This information is required by the Governmental Accounting Standards Board

PUBLIC AGENCY COMPENSATION TRUST
COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT FOR WORKERS COMP AND HEART & LUNG – UNDISCOUNTED - (UNAUDITED)
EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - YEAR ENDED JUNE 30,

Required Contributions & Investment Income:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Earned	\$14,150,771	\$17,528,899	\$19,214,202	\$18,382,217	\$16,856,499	\$14,187,888	\$16,229,877	\$14,049,941	\$16,420,666	\$17,557,830
Ceded	(626,266)	(673,485)	(711,236)	(999,595)	(1,019,746)	(760,706)	(821,229)	(1,196,334)	(1,178,052)	(1,626,286)
Net earned	13,524,505	16,855,414	18,502,966	17,382,622	15,836,753	13,427,182	15,408,648	12,853,607	15,242,614	15,931,544
Unallocated Expenses	2,401,410	2,644,815	3,467,687	3,888,708	4,372,365	5,340,792	6,086,457	6,580,620	6,167,162	6,234,613
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	7,221,184	6,932,261	6,211,000	6,699,000	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	7,221,184	6,932,261	6,211,000	6,699,000	7,604,904	7,226,000	8,393,000	8,503,886	8,561,944	8,324,685
Paid (cumulative) as of:										
End of policy year	903,024	955,534	1,396,400	1,813,443	1,576,283	1,627,122	1,875,562	1,861,690	1,564,723	1,512,648
One Year Later	1,863,166	2,333,923	3,334,645	3,630,752	3,121,442	3,604,503	3,460,736	3,221,497	2,848,563	
Two Years Later	2,317,418	3,332,247	4,312,797	4,050,129	4,039,612	4,245,842	4,582,100	3,754,301		
Three Years Later	2,626,506	3,930,487	4,768,994	4,496,682	4,357,378	5,004,699	5,268,006			
Four Years Later	2,872,958	4,102,622	5,095,774	4,714,495	4,448,046	5,153,264				
Five Years Later	3,226,213	4,388,188	5,496,210	4,975,855	4,558,563					
Six Years Later	3,457,294	4,518,951	5,639,154	4,989,534						
Seven Years Later	3,546,659	4,629,499	5,823,757							
Eight Years Later	3,635,208	4,736,121								
Nine Years Later	3,706,291									
Re-estimated ceded claims & Expenses	-	-	-	-	-	-	-	-	-	-
Re-estimated Claims & Expense										
End of policy year	7,221,184	6,932,261	6,211,000	6,699,000	7,604,904	7,226,026	8,403,083	8,503,886	8,561,944	8,324,685
One Year Later	5,100,000	6,163,261	7,066,000	7,100,000	7,767,000	8,156,000	8,287,083	8,064,886	8,461,944	
Two Years Later	4,117,000	7,269,261	7,695,000	6,892,000	8,507,000	7,998,000	8,599,083	7,583,886		
Three Years Later	4,388,000	7,555,261	7,612,000	7,010,000	8,178,000	8,204,000	8,590,083			
Four Years Later	4,574,184	7,453,261	8,127,000	6,928,000	7,930,000	8,367,000				
Five Years Later	4,729,000	7,650,261	7,898,000	6,902,000	7,903,000					
Six Years Later	4,819,000	7,657,261	7,863,000	6,789,000						
Seven Years Later	4,805,000	7,665,261	7,784,000							
Eight Years Later	4,815,000	7,649,261								
Nine Years Later	4,816,899									
Increase(Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year:	(\$2,404,285)	\$717,000	\$1,573,000	\$90,000	\$298,000	\$1,141,000	\$187,000	(\$920,000)	(\$100,000)	-

This information is required by the Governmental Accounting Standards Board