NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2018 and 2017

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Executive Director and the Board of Directors
Nevada Public Agency Insurance Pool

Report on the Financial Statements

We have audited the accompanying Statements of Net Position of the Nevada Public Agency Insurance Pool as of June 30, 2018 and 2017 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 controls 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 controls 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 controls. 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 Nevada Public Agency Insurance Pool as of June 30, 2018 and 2017 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 beginning on page 5 and 10 year claims development schedule on page 28 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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

Carson City, Nevada
October 25, 2018

EXECUTIVE DIRECTOR'S LETTER

Members of Nevada Public Agency Insurance Pool;

As the Executive Director, I am pleased to present the NPAIP Annual Audited Financial Statements for the year ended June 30, 2018, the conclusion of our 31st full year of operations. As noted in part of NPAIP's Mission Statement, we excel in financial strength, security, and durability and cost-effective risk sharing and financing. This financial report will demonstrate our commitment to our Mission Statement.

In addition to the preparation of the audited financial statements in accordance with GASB pronouncements and other financial standards, this report includes a required Management Discussion and Analysis of the financial results during the years.

Over the years, the Board adopted fiscally responsible policies to retain net position to achieve long-term, stable financial results for members. In 2016, they adopted a Net Assets policy to target net position at a minimum of twenty times the highest self-insured retention. With a Net Position of $26,978,956, we have significantly exceeded that goal for this year (54.0:1) and for the comparison year (63.5: 1) shown in the audit. Net position decreased during the year because of approved transfers to the Public Risk Mutual captive (PRM), an increase in the reserve for claims and claims adjustment expenses, and the reduction in assessments associated with two large members leaving the program. Since Fiscal Year 2004, NPAIP has contributed $29,477,263 to the PRM captive to serve as one of the reinsurers for NPAIP for certain property and liability coverage during the year. The benefits of the captive are reduced administrative costs, reinsurance opportunities and a broader investment portfolio including risk assets. As PRM grows in financial strength, additional member services and program costs can be directly funded through the captive. See the separate annual audited financial statements of PRM for more details.

Through the oversight of the Audit Committee, Executive Committee and the Board of Trustees, coupled with the Nevada Division of Insurance regulatory review, NPAIP Members can be assured that NPAIP will remain financially sound. Members should be proud of the success we have achieved together.

NPAIP has been serving its membership for over 31 years. We are government risk experts with a passion for risk management services. We provide coverage and risk management solutions that are comprehensive and uncomplicated for our members. As the risk management arm for our members, NPAIP manages claims and provides a broad array of in-depth loss control services, training, and risk consultation. With services such as POOL/PACT Human Resources, our extensive support system for human resources issues, members receive support services no one else offers. Our interactive loss control programs and resources guide our members' efforts toward reducing the probability of losses and the effect of losses that do occur.

Both property and casualty coverages can experience significant volatility particularly when the retention levels per loss are high. Because NPAIP retains a substantial portion of the property and casualty risk, it is important to the long-term viability of NPAIP to be able to meet its financial obligations to its Members by growing its Net Position. Insurance market conditions periodically make it important to be able to increase our retentions, which results in increased volatility that must be cushioned strongly. Consistent with NPAIP board policy, funding at a 70% actuarial confidence level for pricing is 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. As described earlier in the Changes in Net Position discussion, Net Position is affected by amortization of transfers of funds to PRM consistent with the board's policy on Capitalization. NPAIP maintains an interest in PRM as its sole policyholder and is entitled to a return of those capital contributions before any other distributions can be made by PRM. The captive continues to enjoy financial success as a reinsurance option for NPAIP.

NPAIP continued its membership in the following reinsurers in which it has a financial interest:

- Public Risk Mutual, its own pure captive, that provides reinsurance for property and liability coverage
- County Reinsurance, Ltd., a captive mutual reinsurer for all members other than schools for liability coverage
- United Educators, a captive risk retention group for schools liability coverage reinsurance
- Government Entities Mutual (GEM), a captive mutual reinsurer, that provides a layer of liability reinsurance

The table below shows some key financial ratios tracked by management and the board to benchmark NPAIP's financial condition and risk retention strategies:

shown in the chart below. The benchmarks shown in the chart 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.

Financial Ratios	POOL 2013/2014	POOL 2014/2015	POOL 2015/2016	POOL 2016/2017	POOL 2017/2018
Total Revenue	$14,610,828	$14,364,004	$14,377,529	$14,159,528	$14,702,604
Total Net Income	$1,752,247	$1,225,208	$699,263	($3,121,709)	($4,761,722)
Net Operating Income	$1,266,150	$537,007	($510,082)	($2,824,698)	($4,710,455)
Net Investment Income	$486,097	$688,201	$1,209,345	($297,011)	($51,267)
Total Assets	$43,758,612	$44,345,129	$45,516,218	$42,074,070	$39,014,428
Total Liabilities	$10,820,696	$10,182,005	$10,653,831	$10,333,392	$12,035,472
Net Position	$32,937,916	$34,163,123	$34,862,387	$31,740,678	$26,978,956
Net Position to SIR (Board target: 20:1)	65.9	68.3	69.7	63.5	54.0
SIR to Net Position (Benchmark: captives <.10; group captives <.25)	0.015	0.015	0.014	0.016	0.019
% Assets attributable to Net Position	75.3%	77.0%	76.6%	75.4%	69.2%
Total assets/total liabilities	4.04	4.36	4.27	4.07	3.24
Revenues to Net Position (Benchmark: <2.5:1 and >0	0.44	0.42	0.41	0.45	0.54
Loss Reserves to Net Position (discounted): Benchmark <3:1 and >0	0.35	0.34	0.33	0.36	0.43
Total liabilities to liquid assets: Benchmark <100%	35%	32%	32%	38%	59%
Change in Net Position: >-10%	5.6%	3.7%	2.0%	-9.0%	-15.0%
Return on Net Position: Net Operating Income/Net Positio	3.8%	1.6%	-1.5%	-8.9%	-17.5%
Return on Net Position: Total Income/Net Position	5.3%	3.6%	2.0%	-9.8%	-17.6%

We continue to provide stability in the mist of uncertainty, allowing members to focus on serving their communities. We will continue to be reliability and stability in a risky property and casualty world.

Economic Factors:

For fiscal year ending June 30, 2018, economic conditions showed continued signs of improvement with some growth continuing for the nation and Nevada. NPAIP's investments, although showing improved results this year, have performed consistently with fixed income investment markets in light of the statutory requirements to invest in governmental securities. 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 adjusts the mix of investments as market conditions change.

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, 2018 evidenced stable insurance market conditions for property and liability reinsurance. Rates in property coverage were stable with slight increases as were liability rates.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff. The staff includes Wayne Carlson, Executive Director, Mike Rebaleati, Chief Operations Officer, Marshall Smith, Chief Risk Officer, Alan Kalt, Chief Financial Officer, Debbie Connally, Controller, Melissia Melissa Mack, Administrative Technician, Zaria Hanses, Administrative Assistant and Mike Van Houten, e-learning Manager and Webmaster. Thanks also to the dedicated professional staff from Bertrand & Associates, LLC, our independent auditors, for their contribution and support throughout the audit process. Special thanks to the Executive Committee, Audit Committee and Board of Directors for their keen interest and support in the planning and conducting of the financial operations of NPAIP in a responsible and progressive manner.

Thank you for your participation in NPAIP and for having confidence in our ongoing ability to meet the Mission, Vision and Motto you set for our member services consortium. We welcome your comments and suggestions to further strengthen NPAIP's financial position, to provide you with additional information and to enhance Member services. I am honored to serve as Executive Director. Thank you for your continued active participation as a Member of NPAIP.

Sincerely,

Wayne Carlson

NPAIP Executive Director

NEVADA PUBLIC AGENCY INSURANCE POOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

Nevada Public Agency Insurance Pool's (NPAIP) discussion and analysis is designed to, (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the entity's financial activities, (c) identify changes in NPAIP's financial position (its ability to address next and subsequent years challenges), and (d) identify any material deviations from the financial plan.

We encourage readers to read this information in conjunction with the Executive Director's letter, financial statements and notes to gain a more complete understanding of the information presented.

Organization Overview

Nevada Public Agency Insurance Pool is a quasi-governmental entity formed by an intergovernmental agreement between political subdivisions of the state of Nevada and organized to operate as a group self-insurer. The purpose of the organization is to seek the prevention or lessening of casualty losses to its members and injuries to persons, which might result in claims being made against such members. In addition to self-funding and reinsurance insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management support services. NPAIP is fully funded by member participants. Members file claims with Alternative Services Concepts, LLC (ASC) which has been contracted to perform claims management services for NPAIP.

NPAIP provides property and casualty coverage to member governmental entities pursuant to state statutes. The program is fully funded by member entities and is governed by a Board of Directors composed of representatives of each member. Any member may withdraw from the program by giving 120 days' notice. NPAIP's independent actuary develops required NPAIP contributions needed to be assessed and collected.

Background:

NPAIP 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.* NPAIP's financial information must be accompanied by enhanced analysis, both short and long term, and explanations of significant financial statement elements. Since NPAIP 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 NPAIP using accounting methods similar to those used by private sector organizations, these statements offer short- and long-term financial information about NPAIP's activity. The financial statements show a comparison of two audited years ending June 30, 2018 and June 30, 2017 to facilitate understanding of changes in the financial position over time.

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

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 NPAIP's operations for the fiscal year compared to the previous fiscal year and can be used as a measure of 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 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, capital and related financing activities and investing activities. It also discloses from where cash comes, for what it was used and the change in cash balance during the reporting period. Since 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

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, including the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

The auditor's report offers an unqualified opinion on the financial statements, the best opinion that can be attained.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the accounting period. Actual results could differ from these estimates.

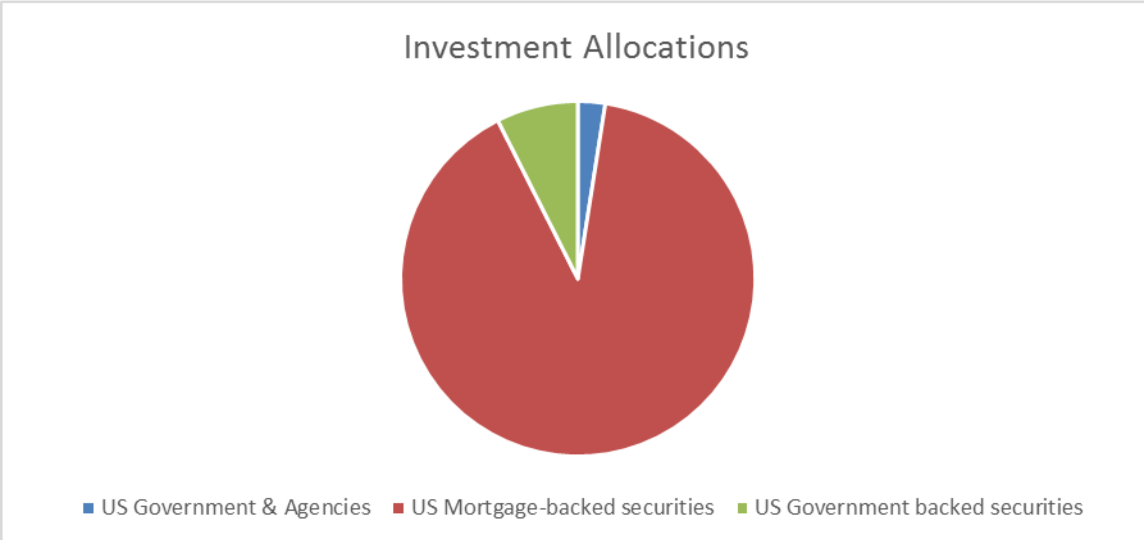
NPAIP has identified the estimates inherent in the valuation of investments and loss reserves (including reserves for incurred but not reported claims- IBNR) as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability. In developing these estimates, management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate and conservative based upon the facts available as of the date of the financial statements. NPAIP uses the assistance of an independent outside actuarial firm in relation to the IBNR and overall loss reserve adequacy.

Investments

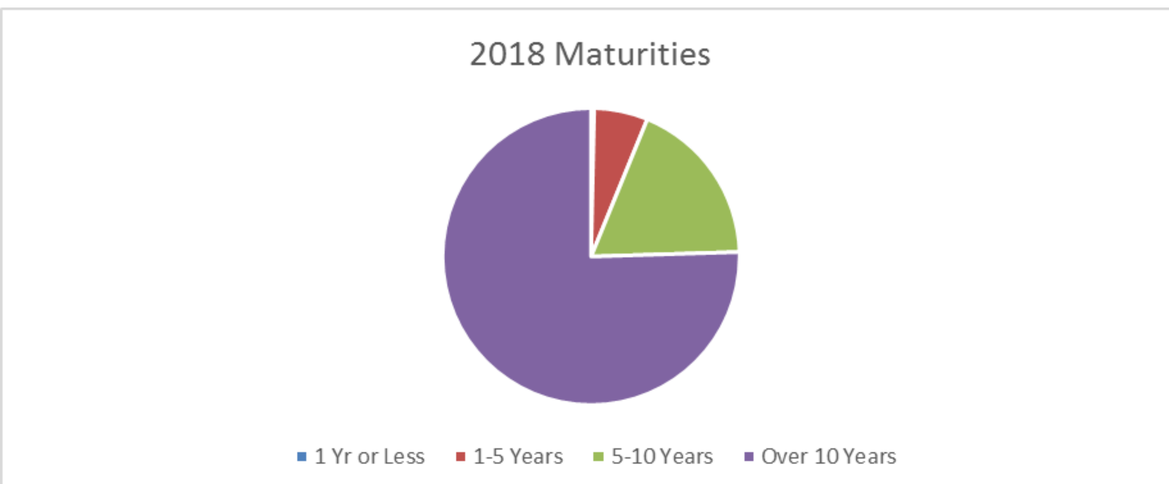
One significant estimate inherent in the valuation of investments is the evaluation of fair value. Investments consist predominantly of government and government backed securities and are reported at their fair value in the Statement of Net Position. Fair value is determined utilizing the market value of the investments as reflected on the applicable brokerage statements. Net increases and decreases in the fair value are included in the Statement of Revenue, Expenses and Changes in Net Position. Nevada Revised Statutes and the Board approved Investment Policy outlines the restrictions on the types of allowed investments. NPAIP 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 corporate backed securities. NPAIP is authorized to purchase negotiable certificates of deposits issued by commercial banks or insured savings and loan associations.

Cash and investments of $20,362,839 are available to meet current liabilities, including reserves for loss and loss adjustment expenses of $5,368,630. Total current liabilities include accounts payable, risk management grants payable, specific recoverable and current portion of reserves for claims. This is a conservative measure of cash and investments available to pay current obligations. NPAIP's cash ratio is 3.8, meaning that the it has 3.8 times the unrestricted cash and investments on hand to meet its obligations. Last year's cash ratio was 5.5. The reduction in the cash ratio is due primarily to the transfer of $5,700,000 to NPAIP's pure captive mutual insurance company, Public Risk Mutual, as contributed surplus during fiscal year ending June 30, 2018.

Investment balances as of June 30, 2018 were $18,107,946 compared to the prior year amount of $26,229,345. This represents a decrease of $8,121,399 or 31.0%. The decrease is due primarily to the $5,700,000 surplus contribution transferred to Public Risk Mutual and increased claim losses during the year. As noted in Note 3, the following is a summary of the fair value of investments as of June 30, 2018:



Investment Descriptions	Fair Value 6-30-2018	Fair Value 6-30-2017
U.S. Government & Agencies	449,799	2,875,432
U.S. Mortgage backed securities	16,307,593	18,710,223
U.S. Government backed securities	1,350,554	4,643,690
Total investments	$18,107,946	$26,229,345



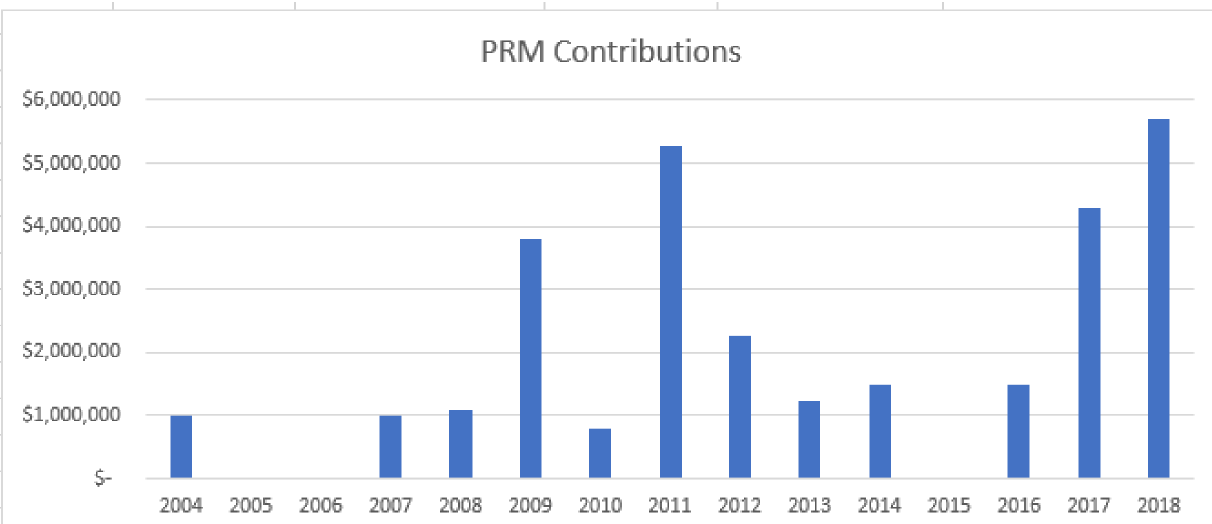
Accrued Interest
The investment income receivable at June 30, 2018 is $63,847 compared to $134,765 in 2017. This is a change of $70,918 or 52.6%. This is due primarily to the decrease in investment balances at year end and the timing of the payment of accrued interest on the investments.

Specific and Aggregate Recoverables
Specific and aggregate recoverables at June 30, 2018 are $2,794,407, compared to $2,712,750 in 2017. These recoverables remained relatively the same over the two-year period.

Contributed Surplus Public Risk Mutual
In May of 2004, NPAIP's board of directors authorized the startup of a member-owned nonprofit captive mutual insurance company and contributed surplus to the company. The company, named Public Risk Mutual, ("PRM") is domiciled in Nevada. PRM subsequently converted from an association captive to a pure captive form owned

by NPAIP. PRM is one of the reinsurers for NPAIP. The benefits of the captive are reduced administrative costs, reinsurance opportunities, a broader investment portfolio which can include risk assets, and build equity to enable provision of coverage not obtainable elsewhere. 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 cost to NPAIP will recoup the contributed capital. As such, NPAIP's contributed surplus to PRM will be amortized over ten years. The net contributed surplus to PRM for fiscal year ending June 30, 2018 is $13,646,670 compared to $10,420,230 reflecting an increase of $3,226,440 or 31.0%. During the current year, there was a capital contribution of $5,700,000 offset by amortization of $2,473,560. See note 9 for more details. The following chart indicates NPAIP's surplus contributions and related amortization to PRM since inception:

Fiscal Year	**Contributions**	**Amortization**	**Net Contributions**
2004	$ 1,000,000	$ -	$ 1,000,000
2005	$ -	$ 100,000	$ 900,000
2006	$ -	$ 100,000	$ 800,000
2007	$ 1,000,000	$ 100,000	$ 1,700,000
2008	$ 1,100,000	$ 291,667	$ 2,508,333
2009	$ 3,800,000	$ 644,166	$ 5,664,167
2010	$ 808,416	$ 757,368	$ 5,715,215
2011	$ 5,265,924	$1,018,305	$ 9,962,834
2012	$ 2,276,619	$1,506,033	$10,733,420
2013	$ 1,237,581	$1,628,228	$10,342,773
2014	$ 1,500,000	$1,786,354	$10,056,419
2015	$ -	$1,698,854	$ 8,357,565
2016	$ 1,488,723	$1,779,165	$ 8,067,123
2017	$ 4,300,000	$1,946,893	$10,420,230
2018	$ 5,700,000	$2,473,560	$13,646,670



As noted above, NPAIP has contributed $29,477,263 to PRM in accordance with NPAIP's Capitalization Strategy Policy which allows NPAIP's Executive Committee to distribute a portion of the Net Assets to provide additional capitalization of PRM to reduce reliance on other excess or reinsurance providers. PRM has increased its reinsurance capacity and thereby reduced NPAIP's retention as a result of the additional contributions to PRM's surplus.

Reserves for Claim Losses

Loss reserves are estimates of losses and loss development and as such will differ from the ultimate results. Therefore, one of the critical accounting estimates is the proper amount of reserves to be set aside to meet future liabilities of the current in-force business. Changes in or deviations from the assumptions used to develop the loss reserves can significantly affect NPAIP's reserve levels and related future operations. Assumptions include company methodology for underwriting and claims handling and current estimates of the legal, inflation rate, and social environment. Annually, NPAIP retains an outside independent actuary to provide a loss reserve opinion and establish a range for NPAIP's loss reserves. NPAIP's policy is to book reserves at the 75% confidence level as recommended by the actuary. The actuarial analysis for the current fiscal year revealed an overall increase in case reserves and IBNR reserves over prior years estimated incurred losses. See Note 6 Unpaid Claim Liabilities and the Supplemental Schedule of Claim Development in the financial statements for more details.

Reserves for current portion of claims increased from $4,581,556 to $5,047,158 in fiscal year ending June 30, 2018. The noncurrent reserve for claims and claims loss adjustment expenses increased from $5,423,444 to $6,666,842 in 2018. Total reserves increased to $11,714,000 from $10,005,000 an increase of $1,709,000 or 17.1% based on claim payments and increased claims costs and development as calculated by the actuary. The development schedule included in the financial statement provides the history of the claims reserve changes each year over 10 years included in the financial statements for more details.

Change in Net Position

NPAIP's Total Net Position decreased from $31,740,678 to $26,978,956 during the fiscal year ending June 30, 2018, a decrease of $4,761,722 or 15.0%. This decrease primarily is due to the approved transfer to the PRM captive, an overall increase in claims and providing special insurance programs to members that previously were paid by the members.

The following is the comparative Statements of Net Position for NPAIP as of June 30, 2018 and 2017.

CONDENSED STATEMENTS OF NET POSITON

	2018	2017
Cash and investments	$ 20,362,839	$ 26,855,229
Accrued interest	63,847	134,765
Receivables	3,141,136	2,957,686
Other assets	220,453	83,691
Capital assets, net	1,579,483	1,622,469
Contributed surplus PRM, net	13,646,670	10,420,230
Total assets	**39,014,428**	**42,074,070**
Accounts payable	124,741	165,724
Other liabilities and deferred revenues	196,731	162,668
Reserve for claims and claims related expense	11,714,000	10,005,000
Total liabilities	**12,035,472**	**10,333,392**
Net positon -unrestricted	25,399,473	30,118,209
Net positon -invested in capital assets	1,579,483	1,622,469
Total net positon	**$ 26,978,956**	**$ 31,740,678**

Total Operating Revenues

NPAIP's primary revenue source comes from premiums written. Premium written increased from $13,832,878 to $14,390,787 during fiscal year ending June 30, 2018. This is an increase of $557,909 or 4.0%. This increase is attributable to a rate increase needed to fund increased claims, changes in members deductible options and an offset by two members leaving the Pool.

Program Expenses

Total program expenses increased to $14,445,566 from $12,255,080 in Fiscal Year 2017. This reflects an increase of $2,190,486 or 17.9% in the current year. Losses and loss adjustment expenses increased $1,912,194 due to adverse development during the year. The reinsurance/excess insurance premiums decreased $324,546 from $5,633,992 to $5,309,446 because of increased risk transfers in the PRM and CRL reinsurance layer of coverage. Special insurance programs expenses were $485,154 in Fiscal Year 2018 as the Board approved paying for the pollution coverage and the student accident coverage for the members directly without charging additional premiums. Slight increases were noted in Third party administrator fees of $51,237 due to increase in claims, an increase of $50,170 in agent commissions and $16,277 increase in taxes written due to new special insurance programs.

Administration Expenses

Total administrative expenses were $4,967,493 in Fiscal Year ending June 30, 2018 compared to $4,729,146 in FY 2017. This represents an increase of $238,347 or 5.0%. There was an increase of $526,667 in the amortization expense related to the Surplus Contribution to Public Risk Mutual. This increase is due to the amortization of the additional $5,700,000 contribution to PRM. There was a reduction of $80,102 in risk management grants. The management fees increased from $490,136 to $513,174 or 4.7% increase as provided for in the approved management contact. Member education and training reduced slightly from $1,310,767 to $1,177,977 as some services were paid directly from Public Risk Mutual.

Non-operating Net Investment Income

Investments are marked to market value at the time of the financial statements, which may result in a negative or positive overall result. Restrictions imposed by law on the types of investments NPAIP 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 NPAIP's investments are anticipated to be held to maturity. Non-operating net investment income was ($51,267) for Fiscal Year end June 30, 2018 compared to ($297,011) in 2017. The investment income was negative for NPAIP as a result of the mark to market value adjustment because of increasing interest rates in fiscal year 2018. See Note 3 Investment Securities for more details.

CONDENSED STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

	2018	2017
Assessments revenues	$ 14,702,604	$ 14,159,528
Loss fund provision and program expenses	14,445,566	12,255,080
Administration expenses	4,967,493	4,729,146
Total expenses	19,413,059	16,984,226
(Decrease) in operating net position	**(4,710,455)**	**(2,824,698)**
Non-operating net investment income	(51,267)	(297,011)
(Decrease) increase in net position	**$ (4,761,722)**	**$ (3,121,709)**

Capital Assets and Debt Administration:

NPAIP has land and the office building as the only physical assets and no borrowed funds. The capital assets of land, building and equipment net is $1,579,483 as of June 30, 2018. This represents 4.0% of the total assets. This building generates rental income and diversifies NPAIP's investments. NPAIP remains debt free.

Subsequent Events:

There were no subsequent events that would affect the financial statements for the current fiscal year.

Requests for Information:
While the purpose of this discussion and financial report is to provide a general overview of NPAIP'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.

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Net Position
June 30, 2018 and 2017

ASSETS	**2018**	**2017**
Current assets:		
Cash and cash equivalents	$ 2,254,893	$ 625,884
Investments	18,107,946	26,229,345
Accrued interest	63,847	134,765
Deductibles receivable	336,162	146,244
Assessments receivable	10,520	26,170
Other Receivables	47	72,522
Specific and aggregate recoverables	2,794,407	2,712,750
Prepaid expense	220,453	83,691
Total current assets	23,788,275	30,031,371
Capital assets:		
Land, building & equipment, net	1,579,483	1,622,469
Other assets:		
Contributed Surplus Public Risk Mutual, net	13,646,670	10,420,230
Total Assets	**39,014,428**	**42,074,070**
LIABILITIES		
Other current liabilities:		
Accounts payable	124,741	165,724
Risk Management Grants payable	196,731	157,564
Deferred inflows of resources	-	5,104
Current portion of reserve for claims and claims adjustment expenses	5,047,158	4,581,556
Total current liabilities	5,368,630	4,909,948
Noncurrent liabilities:		
Reserve for claims and claims adjustment expenses	6,666,842	5,423,444
Total non-current liabilities:	6,666,842	5,423,444
Total Liabilities	**12,035,472**	**10,333,392**
NET POSITION		
Net Position, unrestricted	25,399,473	30,118,209
Net Position, invested in capital assets	1,579,483	1,622,469
Total Net Position	**$ 26,978,956**	**$ 31,740,678**

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Revenues, Expenses and Changes in Net Position
For Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Premiums written	$ 14,390,787	$ 13,832,878
Rental income	261,643	258,326
Other Income	50,174	68,324
Total revenues	14,702,604	14,159,528
PROGRAM EXPENSES		
Losses and loss adjustment expenses	6,461,215	4,549,021
Excess insurance premiums	5,309,446	5,633,992
Special insurance programs	485,154	-
Pooling and loss control fees	505,000	505,000
Third party administrator fees	710,655	659,418
Agent commissions	955,653	905,483
Taxes written	18,443	2,166
Total program expenses	14,445,566	12,255,080
ADMINISTRATIVE EXPENSES		
Management fees	513,174	490,136
Building maintenance and utilities	93,190	124,219
Depreciation	49,317	44,564
Amortization	2,473,560	1,946,893
Travel	54,981	48,662
Casualty insurance	31,075	51,553
Operating expenses	189,723	113,484
Legal expenses	45,788	85,109
Loss control awards and grants	240,525	320,627
Consultant appraisals	85,700	87,500
Environmental consultation	-	23,665
Technology services	12,483	81,967
Member education and training	1,177,977	1,310,767
Total pool administration expenses	4,967,493	4,729,146
Total program and administration expenses	19,413,059	16,984,226
Decrease in operating net position	**(4,710,455)**	**(2,824,698)**
Increase in non-operating net investment income	(51,267)	(297,011)
(Decrease) increase in net position	**(4,761,722)**	**(3,121,709)**
Net position, beginning of year	31,740,678	34,862,387
Net position, end of year	**$ 26,978,956**	**$ 31,740,678**

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Premiums written	$ 14,211,415	$ 13,941,954
Rental income	261,643	258,326
Other revenues	50,174	68,324
Payment for claims	(4,752,215)	(5,110,021)
Payment to vendors	(10,505,811)	(11,381,636)
Net Cash Used from Operating Activities	(734,794)	(2,223,053)
Cash flows from investing activities:		
Interest and dividend income, net of expenses	600,085	957,587
Purchases of investments	(17,538,308)	(7,595,831)
Proceeds from sales of investments	25,008,356	13,391,219
Net Cash Provided from Investing Activities	8,070,133	6,752,975
Cash flows from capital activities:		
Increase in capitalization of PRM	(5,700,000)	(4,300,000)
Equipment purchases	(6,330)	(23,090)
Net Cash Used for Capital Activities	(5,706,330)	(4,323,090)
Increase in Cash and Cash Equivalents	1,629,009	206,832
Cash and Cash Equivalents, beginning of fiscal year	625,884	419,052
Cash and Cash Equivalents, year ended June 30	**2,254,893**	**625,884**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating net loss	(4,710,455)	(2,824,698)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	49,316	44,564
Amortization expense	2,473,560	1,946,893
(Increase) decrease in deductibles and assessments receivable	(174,268)	103,972
(Increase)in prepaid expense	(136,762)	(60,863)
Decrease (increase) in other receivables	72,475	(72,472)
(Increase) in recoverables	(81,657)	(919,826)
Decrease in accrued interest	70,917	37,380
(Decrease) increase in accounts payable	(40,983)	77,893
Increase in Risk Management Grants liability	39,167	-
(Decrease) increase in deferred inflows of resources	(5,104)	5,104
Increase (decrease) in reserve for claims and loss adjustments	1,709,000	(561,000)
Net Cash Used by Operating Activities	**$ (734,794)**	**$ (2,223,053)**

See accompanying notes

NOTE 1 - 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 Alternative Service Concepts, LLC (ASC), which has been contracted to perform claims adjustments for the NPAIP.

NOTE 2 - 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.

Measurement Focus, 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 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 except as permitted by law. 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.

Budget
A budget is prepared by management though there is no legal budgetary requirement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 increasing 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.

Fixed Assets:
Equipment on the books is depreciated over the estimated useful lives of the assets using the straight-line method and the lives assigned to assets range from 5 years to 7 years. The capitalization policy allows for the recording as an asset and depreciation for amounts of and in excess of $5,000. The office building cost is depreciated using the straight-line method over a period of 40 years with no salvage value.

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 based on an evaluation prepared by management and an independent consulting actuary using a 75% confidence level. Although such estimates are 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 Claims Development Schedule reports claims on a reported year basis.

Prior Year Reclassifications
Prior year’s financial statements have been reclassified where applicable to conform to the current year’s presentation.

NOTE 3 – CASH AND INVESTMENTS

The carrying amount of NPAIP's deposits with financial institutions at June 30, 2018 and 2017 was $2,254,893 and $625,884.

The financial institution balance at June 30, 2018 and 2017 was $2,855,774and $886,860 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.

	2018	2017
Amounts insured by FDIC	$ 250,000	$ 250,000
Amounts collateralized	1,301,011	239,517
Cash equivalents at brokerage firm	1,304,763	397,343
Total deposits at financial institutions	$ 2,855,774	$ 886,860

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, 2018 is as follows:

		Investment Maturities in Years			
	Fair Value	1 year or less	1-5	5-10	Over 10
U.S. Government & Agencies	$ 449,799	$ 60,058	$ 389,741	$ -	$ -
U.S. Mortgage-backed securities	16,307,593	-	330,410	2,709,509	13,267,674
U.S. Government backed securities	1,350,554	-	339,801	608,853	401,900
Total cash and investments	$ 18,107,946	$ 60,058	$ 1,059,952	$ 3,318,362	$ 13,669,574

A summary of investments as of June 30, 2017 is as follows:

		Investment Maturities in Years			
	Fair Value	1 year or less	1-5	5-10	Over 10
U.S. Government & Agencies	$ 2,875,432	$ 1,151,989	$ 1,723,443	$ -	$ -
U.S. Mortgage-backed securities	18,710,223	-	367,389	3,254,406	15,088,428
U.S. Government backed securities	4,643,690	-	3,449,190	714,920	479,580
Total cash and investments	$ 26,229,345	$ 1,151,989	$ 5,540,022	$ 3,969,326	$ 15,568,008

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay with or without call or prepayment penalties. NPAIP categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NPAIP has the following recurring fair value measurements as of year-end June 30,

1. U.S. Government and government back securities of $18,107,946 and $26,229,345 for years ended June 30, 2018 and 2017 respectively are valued using a matrix pricing model (Level 2 inputs).

NOTE 4 – 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 years ended June 30, 2018 and 2017 was as follows:

Property and equipment activity for the year ended June 30, 2018 was as follows:

	Estimated Useful Life	June 30, 2017	Additions	Dispositions	June 30, 2018
Land	-	$ 466,652	$ -	$ -	$ 466,652
Building	40	1,783,716	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	117,947	6,331	-	124,278
		2,368,315	6,331	-	2,374,646
Less accumulated depreciation		(745,846)	(49,317)	-	(795,163)
Capital assets net accumulated depreciation		$ 1,622,469	$ (42,986)	$ -	$ 1,579,483

Property and equipment activity for the year ended June 30, 2017 was as follows:

	Estimated Useful Life	June 30, 2016	Additions	Dispositions	June 30, 2017
Land	-	$ 466,652	$ -	$ -	$ 466,652
Building	40	1,783,716	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	94,857	23,090	-	117,947
		2,345,225	23,090	-	2,368,315
Less accumulated depreciation		(700,127)	(45,719)	-	(745,846)
Capital assets net accumulated depreciation		$ 1,645,098	$ (22,629)	$ -	$ 1,622,469

NOTE 5 – 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:	2017-2018	2016-2017
Property blanket limit	$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

NOTE 6 – 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 2, 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:

	2018	2017
Unpaid losses and loss adjustment expenses at beginning of year or period	**$ 10,005,000**	**$ 10,566,000**
Incurred losses and loss adjustment expenses:		
Provision for insured events of current year	5,738,000	5,635,000
Increase (decrease) in provision for insured events of prior fiscal years	723,215	(1,085,979)
Total incurred losses and loss adjustment	6,461,215	4,549,021
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year/period	(1,232,000)	(988,000)
Claims and claims adjustment expenses attributable to insured events of prior	(3,520,215)	(4,122,021)
Total Payments	(4,752,215)	(5,110,021)
Unpaid claims and claims adjustment expenses At end of fiscal year	**$ 11,714,000**	**$ 10,005,000**

In 2018 the current portion of the reserve, cash expected to be paid within 12 months, is $5,047,158 and the long-term portion is $6,666,842. At the end of 2017 the current portion was $4,581,556 and the long term portion was $5,423,444.

At June 30, 2018 and 2017, 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 are management's best estimate of reserves at June 30, 2018 and 2017.

NOTE 7 - RELATED PARTY TRANSACTIONS

Public Agency Risk Management Services, Inc. (PARMS) is presently contracting with the NPAIP to provide management services from July 1, 2014 through June 30, 2019. PARMS serves as the Executive Director/Administrator. PARMS is a service corporation wholly owned by Mr. Wayne Carlson. Contract fees paid for years ended June 30, 2018 and 2017 were $513,174 and $490,136 respectively.

Minimum future payments:			
	2019	$	519,985

PARMS leases office space at 201 S. Roop St. in Carson City, Nevada from the Nevada Public Agency Insurance Pool through a separate lease agreement that coincides with the term of the management contract. Payments received in 2018 and 2017 were $71,196 and $69,781. The contract dated July 1, 2013 was for a five year lease period and includes a 2% per annum increase in the lease expenses which began on July 1, 2014 and was extended for one year until July 1, 2019 under the same terms.

Minimum future receipts:			
	2019	$	72,617

Effective July 1, 2006, Nevada Public Agency Insurance Pool (NPAIP) jointly with Public Agency Compensation Trust (PACT) provided a grant to Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Cash Minor, Paul Johnson and Curtis Calder. The cost of this grant was $779,350 and $756,000 for the years ended June 30, 2018 and 2017 respectively. PRI provides human resources management services to NPAIP members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI. PRI contract in 2016 allocation was changed for POOL to pay 65% and PACT 35%.

NPAIP is the sole policy holder of Public Risk Mutual Company which was formed as a non-profit captive mutual insurance company.

On July 1, 2017, NPAIP assumed ownership from PARMS of the server and computers and will be absorbing all costs related to the maintenance, replacement and improvements for all technological needs of NPAIP, PACT, PRM, (Public Risk Management), PCM (Public Compensation Mutual), and PRI (Public Resources, Inc). The PARMS payment to NPAIP includes the technological needs of PACT as well as PRM and PCM. This arrangement was approved in an effort to simplify the technology usage fees paid to NPAIP.

NOTE 8 – POOLING RESOURCES, INC. GRANT

Effective July 1, 2006, Nevada Public Agency Insurance Pool (NPAIP) jointly with Public Agency Compensation Trust provided a grant with Pooling Resources, Inc. (PRI), a nonprofit organization formed by the executive director of NPAIP Wayne Carlson and whose directors are Cash Minor, Paul Johnson and Curtis Calder. The cost of this grant was $779,350 and $756,600 for June 30, 2018 and 2017 respectively. The grant was renewed for five years beginning July 1, 2015 and amended July 1, 2018 with future costs being as follows:

Minimum future payments:			
	2019	$	794,950
	2020		811,200
Total payments		$	1,606,150

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

NOTE 9 –CONTRIBUTED SURPLUS TO PUBLIC RISK MUTUAL

In May 2004, NPAIP's board of directors authorized the startup 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, 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 $29,477,263 and $23,777,263 as of year ended June 30, 2018 and 2017. 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 provision of coverage not obtainable elsewhere.

In April 2017, the Executive Committee of Nevada Public Agency Insurance Pool (NPAIP) approved the transfer of ten million ($10,000,000) surplus funds to its pure captive Public Risk Mutual (PRM). This action was ratified by the full Board of Trustees of PRM on April 27, 2017 during the annual meeting. As of July 1, 2017, $4,300,000 had been transferred from NPAIP to PRM and the remaining transfer of the remaining $5,700,000 was completed October 25, 2017.

Since the creation of the captive PRM, all transfers from NPAIP to PRM have been amortized. Therefore, the initial $4,300,000 asset transfer has been accounted for in the amortization schedule that continually accounts for the NPAIP capital surplus contributions to PRM. NPAIP's investment advisor, Strategic Asset Alliance, and NPAIP's money manager, New England Asset Management, have developed an orderly transfer plan based on the appropriate selling and purchasing points for the designated assets. This helps accomplish the goals of providing NPAIP with profits of the sales and PRM with the purchase of more suitable investment assets. This enables NPAIP and PRM to maintain the appropriate Net Position for their respective risk retention amounts.

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 $2,473,560 and $1,946,893 for fiscal years ended 2018 and 2017.

	June 30, 2017	Additions	June 30, 2018
Contributed surplus to Public Risk Mutual	$ 23,777,263	$ 5,700,000	$ 29,477,263
Accumulated amortization	(13,357,033)	(2,473,560)	(15,830,593)
Contributed Surplus net of accumulated amortization	$ 10,420,230	$ 3,226,440	$ 13,646,670

	June 30, 2016	Additions	June 30, 2017
Contributed surplus to Public Risk Mutual	$ 19,477,263	$ 4,300,000	$ 23,777,263
Accumulated amortization	(11,410,140)	(1,946,893)	(13,357,033)
Contributed Surplus net of accumulated amortization	$ 8,067,123	$ 2,353,107	$ 10,420,230

Since the creation of the captive PRM, all transfers from NPAIP to PRM have been amortized. NPAIP's investment advisor, Strategic Asset Alliance, and POOL'S money manager, New England Asset Management, developed an orderly transfer plan based on the appropriate selling and purchasing points for the designated assets. This helped accomplish the goals of providing NPAIP with profits of the sales and PRM with the purchase of more suitable investment assets. This enabled NPAIP and PRM to maintain the appropriate Net Position for their respective risk retention amounts.

NOTE 9 –CONTRIBUTED SURPLUS TO PUBLIC RISK MUTUAL (continued)

Contributions to the captive and amortization are as follows:

Fiscal Year	*Contributions*	*Total Capitalization*	*Amortization*	*Net Contributions*	*Accumulated Amortization*
2004	$ 1,000,000	$ 1,000,000		$ 1,000,000	$ -
2005	-	1,000,000	100,000	900,000	100,000
2006	-	1,000,000	100,000	800,000	200,000
2007	1,000,000	2,000,000	100,000	1,700,000	300,000
2008	1,100,000	3,100,000	291,667	2,508,333	591,667
2009	3,800,000	6,900,000	644,166	5,664,167	1,235,833
2010	808,416	7,708,416	757,368	5,715,215	1,993,201
2011	5,265,924	12,974,340	1,018,305	9,962,834	3,011,506
2012	2,276,619	15,250,959	1,506,033	10,733,420	4,517,539
2013	1,237,581	16,488,540	1,628,228	10,342,773	6,145,767
2014	1,500,000	17,988,540	1,786,354	10,056,419	7,932,121
2015	-	17,988,540	1,698,854	8,357,565	9,630,975
2016	1,488,723	19,477,263	1,779,165	8,067,123	11,410,140
2017	4,300,000	23,777,263	1,946,893	10,420,230	13,357,033
2018	5,700,000	29,477,263	2,473,560	13,646,670	15,830,593

NOTE 10 – 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:	**2017 -2018**	**2016 - 2017**
Blanket limit per loss:	$300,000,000	$300,000,000
Earthquake Aggregate Sub-limit:	150,000,000	150,000,000
Flood Aggregate Sub-limit:	150,000,000	150,000,000
Equipment Breakdown Sub-limit:	100,000,000	100,000,000
Money & Securities (including Employee Dishonesty) Sub-limit:	500,000	500,000
Liability limits:		
Each and Every Per Event Limit:	10,000,000	10,000,000
Products/Completed Operations (per member)	Included	Included
Wrongful Acts (per member)	Included	Included
Law Enforcement (per member)	Included	Included
Emergency Response to Pollution Aggregate 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	10,000,000
Sexual abuse Sub-limit	2,500,000	2,500,000
Cyber Security Event Liability and Privacy Response Cover Limits:		
Cyber Security Event Liability	2,000,000	2,000,000
Privacy Response Expense	500,000	500,000

NOTE 10 – EXCESS INSURANCE OR REINSURANCE (continued)

NPAIP reinsurance is as follows:

Property 2017-2018: The property limits shown above excess of NPAIP's retentions as follows:
Retention $200,000 per event
Public Risk Mutual: $300,000 limit per loss subject to $200,000 NPAIP retention all coverages
Travelers Boiler Re: $50,000 NPAIP retention for Equipment Breakdown
Lloyds of London various syndicates: NPAIP retentions $500,000 per occurrence except no reinsurance for Equipment breakdown or money and securities

Liability 2017-2018: The liability limits shown above excess of NPAIP's retention of $500,000 with:

a) Public Risk Mutual 30% of $2,500,000, excluding school districts, plus 25% of $7,000,000 excess of $3,000,000
b) County Reinsurance, ltd. 70% of $2,500,000, excluding school districts, plus $750,000 excess of $250,000 per cyber liability event
c) United Educators $2,500,000 for school districts only, plus $1,500,000 per cyber liability event for school districts only
d) Government Entities Mutual, Inc., 35% quota share of $7,000,000 excess of $3,000,000
e) Lloyds of London Brit Syndicates, Ltd., 40% quota share of $7,000,000 excess of $3,000,000
f) Public Risk Mutual $1,000,000 excess of $1,000,000 per cyber event plus $250,000 excess $250,000 each school district

Property 2016-2017 The property limits shown above excess of NPAIP's retentions as follows:
Retention $200,000 per event
Public Risk Mutual: $300,000 limit per loss subject to $200,000 NPAIP retention all coverages
Travelers Boiler Re: $50,000 NPAIP retention for Equipment Breakdown
Lloyds of London various syndicates: NPAIP retentions $500,000 per occurrence except no reinsurance for Equipment breakdown or money and securities

Liability 2016-2017: The liability limits shown above excess of NPAIP's retention of $500,000 with:

a. Public Risk Mutual 30% of $2,500,000, excluding school districts, plus 25% of $7,000,000 excess of $3,000,000
b. County Reinsurance, ltd. 70% of $2,500,000, excluding school districts, plus $750,000 excess of $250,000 per cyber liability event
c. United Educators $2,500,000 for school districts only, plus $1,500,000 per cyber liability event for school districts only
d. Government Entities Mutual, Inc., 35% quota share of $7,000,000 excess of $3,000,000
e. Lloyds of London Brit Syndicates, Ltd., 40% quota share of $7,000,000 excess of $3,000,000
f. Public Risk Mutual $1,000,000 excess of $1,000,000 per cyber event plus $250,000 excess $250,000 each school district

NOTE 11 – LEASES

On April 6, 2018 NPAIP entered into a lease agreement with Sierra Office Solutions for a high-speed copy machine. The lease is classified as an operating lease with minimum monthly payments of $631 for 60 months.

NPAIP entered into a lease for a postage machine with Mailfinance in July 2018. The lease is an operating lease with minimum monthly payments of $87.50 for 60 months.

NOTE 11 – LEASES (continued)

Minimum lease payments for leases are as follows for the following years ended June 30,

Minimum lease payments:		
2019	$	8,622
2020		8,622
2021		8,622
2022		8,622
2023		8,622
		-
Total minimum lease payments	**$**	**43,110**

NOTE 12 –SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2018. Management has evaluated subsequent events through October 25, 2018 which is the date the financial statements were available for issue.

NEVADA PUBLIC AGENCY INSURANCE POOL
COMPARATIVE SCHEDULE OF CLAIMS DEVELOPMENT (UNAUDITED)
EARNED ASSESSMENTS AND ALLOCATED EXPENSES FOR TEN-YEAR PERIOD - YEAR ENDED JUNE 30,

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Required Contributions & Investment Income:										
Earned	$15,184,061	$15,721,731	$14,964,155	$16,331,984	$16,331,984	$14,843,453	$15,129,697	$15,659,967	$13,926,199	$14,701,651
Ceded	(3,919,235)	(4,388,536)	(4,642,512)	(5,019,808)	(5,019,808)	(4,812,711)	(5,253,026)	(5,044,561)	(5,633,992)	(5,794,600)
Net earned	11,264,826	11,333,195	10,321,643	11,312,176	10,030,742	10,030,742	9,876,671	10,615,406	8,292,207	8,907,051
Unallocated Expenses	4,103,075	4,521,913	4,968,874	5,659,813	5,485,380	5,485,380	5,755,797	6,213,405	6,801,212	7,157,245
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	6,118,000	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,168,000	5,635,000	5,738,000
Ceded	-	-	-	-		-	-	(87,500)	(1,427,141)	(201,000)
Net Incurred	6,118,000	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,080,500	4,207,859	5,537,000
Paid (cumulative) as of:										
End of policy year	397,000	417,000	833,000	722,000	652,000	788,000	551,000	485,000	988,000	1,232,000
One Year Later	1,078,000	1,546,000	1,736,000	1,538,000	1,670,000	1,538,000	1,681,000	2,291,000	2,367,000	
Two Years Later	1,767,000	2,386,000	2,083,000	2,331,000	1,937,000	2,142,000	2,061,000	3,272,000		
Three Years Later	2,443,000	2,827,000	3,053,000	2,601,000	2,548,000	2,656,000	2,277,000			
Four Years Later	2,594,000	3,401,000	3,306,000	2,723,000	2,797,000	2,973,000				
Five Years Later	2,641,000	3,799,000	3,324,000	3,003,000	2,894,000					
Six Years Later	2,837,000	3,632,000	3,370,000	3,078,000						
Seven Years Later	2,845,000	3,638,000	3,627,000							
Eight Years Later	2,845,000	3,638,000								
Nine Years Later	2,845,000									
Re-estimated ceded claims & Expenses	-	725,387	2,536,444	341,501	529,625	2,472,813	371,978	2,319,629	4,402,321	201,000
Re-estimated Claims & Expense										
End of policy year	6,118,000	6,036,000	5,938,000	5,471,000	5,370,000	4,851,000	4,317,000	5,080,500	4,207,859	5,738,000
One Year Later	4,793,000	4,953,000	4,973,000	4,461,000	4,425,000	4,159,000	3,864,000	4,769,000	5,269,000	
Two Years Later	3,921,000	4,185,000	4,827,000	3,780,000	3,650,000	3,713,000	3,134,000	5,406,000		
Three Years Later	3,272,000	3,618,000	4,051,000	3,297,000	3,137,000	3,285,000	3,140,000			
Four Years Later	3,054,000	3,712,000	4,048,000	3,265,000	3,350,000	3,229,000				
Five Years Later	3,000,000	3,925,000	3,972,000	3,308,000	3,235,000					
Six Years Later	2,923,000	3,743,000	3,491,000	3,262,000						
Seven Years Later	2,845,000	3,638,000	4,036,000							
Eight Years Later	2,845,000	3,638,000								
Nine Years Later	2,845,000									
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	(3,273,000)	(2,398,000)	(1,902,000)	(2,209,000)	(2,135,000)	(1,622,000)	(1,177,000)	325,500	1,061,141	-

This information is required by the Governmental Accounting Standards Board