NEVADA PUBLIC AGENCY INSURANCE POOL

FINANCIAL STATEMENTS

June 30, 2019 and 2018

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, and 2018 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, 2019 and 2018 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 8 and the 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 11, 2019

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, 2019, the conclusion of our 32nd 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 $25,420,233, we have significantly exceeded that goal for this year (50.8:1) and for the comparison year (54.0: 1) shown in the audit. Net position decreased during the year primarily because of amortization of approved transfers to the Public Risk Mutual captive (PRM) and an increase in the reserve for claims and claims adjustment expenses. 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 32 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 75% 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:

In order to enhance analysis, comparative information is provided fo ilities, Net Position, Revenues and Expenses as shown in the chart below. The benchmarks shown in ulted from a pooling and captives' industry study conducted a few years ago by Tillinghast and provide l to facilitate management's analysis and understanding of the financial results. Other performance indic used by insurance companies but are not necessarily useful comparative indicators for risk pools.

Financial Ratios	POOL 2014/2015	POOL 2015/2016	POOL 2016/2017	POOL 2017/2018	POOL 2018/2019
Total Revenue	$ 14,364,004	$ 14,377,529	$ 14,159,528	$ 14,702,604	$ 15,998,979
Total Net Income	$ 1,225,208	$ 699,263	$ (3,121,709)	$ (4,761,722)	$ (1,558,723)
Net Operating Income	$ 537,007	$ (510,082)	$ (2,824,698)	$ (4,710,455)	$ (2,707,038)
Net Investment Income	$ 688,201	$ 1,209,345	$ (297,011)	$ (51,267)	$ 1,148,315
Total Assets	$ 44,345,129	$ 45,516,218	$ 42,074,070	$ 39,014,428	$ 36,562,347
Total Liabilities	$ 10,182,005	$ 10,653,831	$ 10,333,392	$ 12,035,472	$ 11,142,114
Net Position	$ 34,163,123	$ 34,862,387	$ 31,740,678	$ 26,978,956	$ 25,420,233
Net Position to SIR (Board target: 20:1)	68.3	69.7	63.5	54.0	50.8
SIR to Net Position (Benchmark: captives <.10; group captives <.25)	0.015	0.014	0.016	0.019	0.020
% Assets attributable to Net Position	77.0%	76.6%	75.4%	69.2%	69.5%
Total assets/total liabilities	4.36	4.27	4.07	3.24	3.28
Revenues to Net Position (Benchmark: <2.5:1 and >0	0.42	0.41	0.45	0.54	0.63
Loss Reserves to Net Position (discounted): Benchmark <3:1 and >0	0.34	0.33	0.36	0.43	0.45
Total liabilities to liquid assets: Benchmark <100%	32%	32%	38%	59%	59%
Change in Net Position: >-10%	3.7%	2.0%	-9.0%	-15.0%	-5.8%
Return on Net Position: Net Operating Income/Net Position	1.6%	-1.5%	-8.9%	-17.5%	-10.6%
Return on Net Position: Total Income/Net Position	3.6%	2.0%	-9.8%	-17.6%	-6.1%

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, 2019, 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, 2019 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 PARMS staff. The staff includes 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, 2019 AND 2018

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, LL (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, 2019 and June 30, 2018 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 unmodified 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.

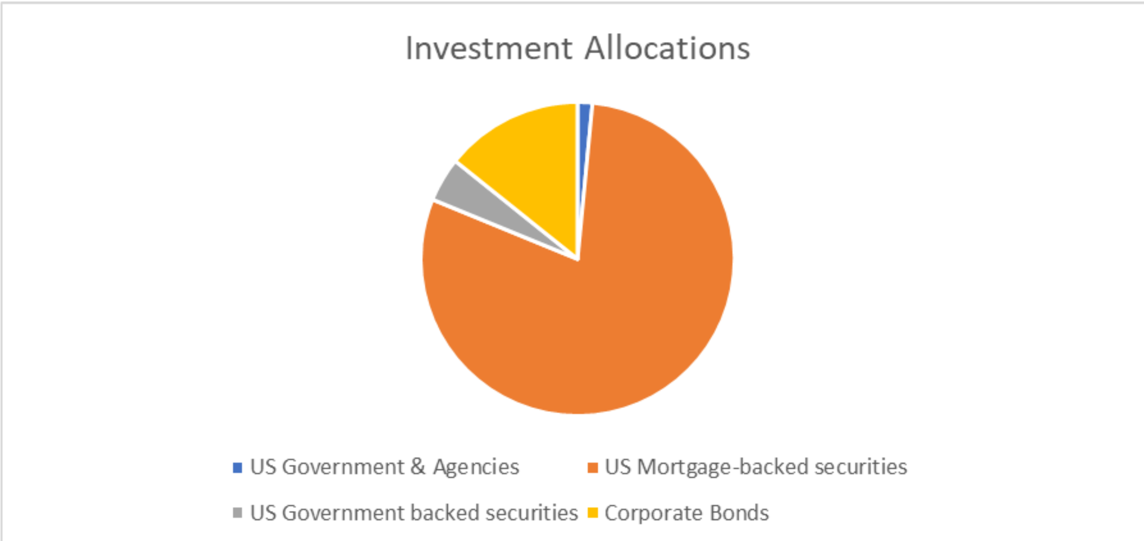
NPAIP has identified the estimates inherent in the valuation of investments and loss reserves (including reserves for incurred but not reported claims- IBNR) as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability. In developing these estimates, 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

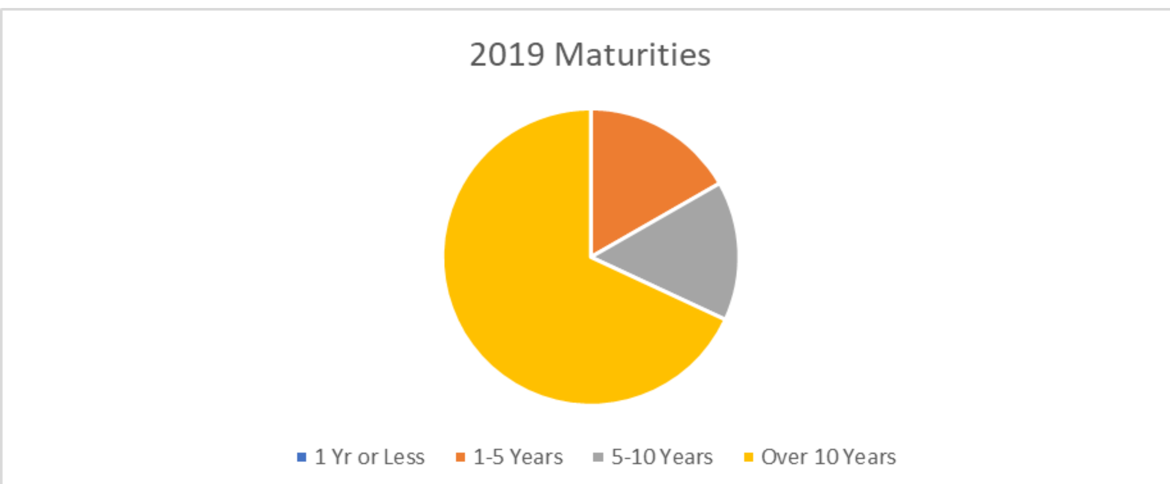
One significant estimate inherent in the valuation of investments is the evaluation of fair value. Investments consist predominantly of government and government backed securities and are reported at their fair value in the Statement of Net Position. Fair value is determined utilizing the market value 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-grate 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 $19,381,013 are available to meet current liabilities, including reserves for loss and loss adjustment expenses of $4,769,336. 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 4.1, meaning that the it has 4.1 times the unrestricted cash and investments on hand to meet its obligations. Last year's cash ratio was 3.8. The increase in the cash ratio is due primarily to the reduction in the current portion of reserve for claims and claims adjustment expenses which were $4,332,222 in FY19 compared to $5,047,158 a reduction of $714,936. This is offset by the reduction in cash and investment balance at fiscal year-end.

Investment balances as of June 30, 2019 were $18,411,809 compared to the prior year amount of $18,107,946. This represents an increase of $303,863 or 1.7% The increase is due primarily to the investment income and operations during the year. As noted in Note 3, the following is a summary of the fair value of investments as of June 30, 2019:



Investment Descriptions	**Fair Value 6-30-2019**	**Fair Value 6-30-2018**
U.S. Government & Agencies	278,673	449,799
U.S. Mortgage backed securities	14,670,959	16,307,593
U.S. Government backed securities	838,640	1,350,554
Corporate bonds	2,623,537	-
Total investments	$18,411,809	$18,107,946



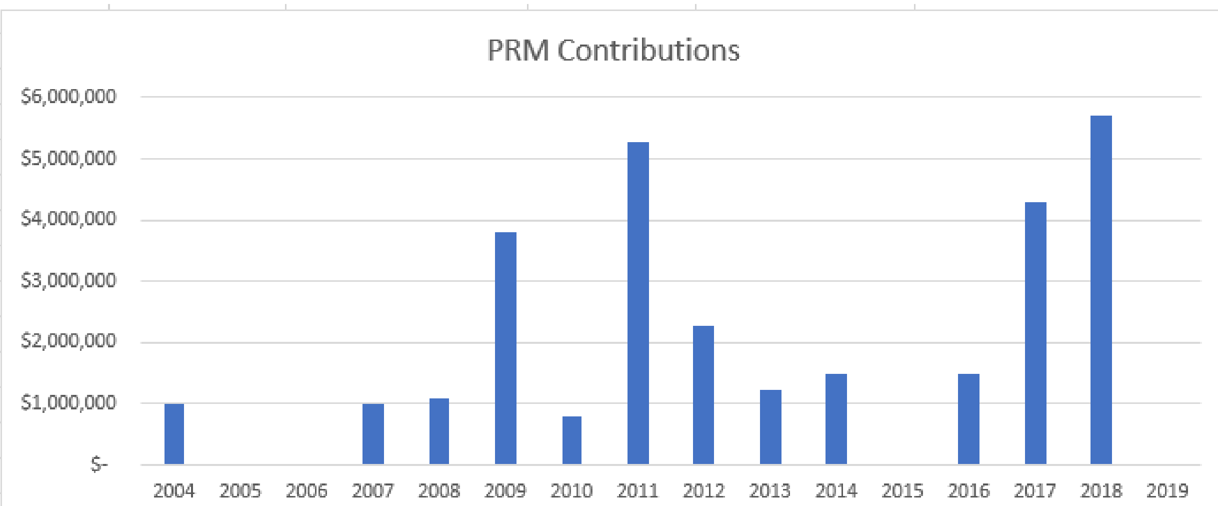
Accrued Interest

The investment income receivable at June 30, 2019 is $68,263 compared to $63,847 in 2018. This is a change of $4,416 or 6.9% This is due primarily to the increase 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, 2019 are $3,321,360, compared to $2,794,407 in 2018. This is an increase of $526,953 or 18.8% due to increased settlements during the fiscal year.

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, 2019 is $11,351,444 compared to $13,646,670 reflecting a decrease of $2,295,226 due to current year amortization. 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
2019	$ -	$2,295,226	$11,351,444



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 decreased from $5,047,158 to $4,332,222 in fiscal year ending June 30, 2019. The noncurrent reserve for claims and claims loss adjustment expenses decreased from $6,666,842 to $6,372,778 in 2019. Total reserves decreased to $10,705,000 from $11,714,000 a decrease of $1,009,000 or 8.6% based on claim payments and decreased 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 $26,978,956 to $25,420,233 during the fiscal year ending June 30, 2019, a decrease of $1,558,723 or 5.8%. This decrease primarily is due to the amortization of $2,295,226 of the transfer to PRM, a net overall decrease in operating net position increased by net investment income of $1,148,315 for fiscal year 2019.

The following is the comparative Statements of Net Position for NPAIP as of June 30, 2019 and 2018.

CONDENSED STATEMENTS OF NET POSITON

	2019	2018
Cash and investments	$ 19,381,013	$ 20,362,839
Accrued interest	68,263	63,847
Receivables	3,984,619	3,141,136
Other assets	248,002	220,453
Capital assets, net	1,529,006	1,579,483
Contributed surplus PRM, net	11,351,444	13,646,670
Total assets	**36,562,347**	**39,014,428**
Accounts payable	300,320	124,741
Other liabilities and deferred revenues	136,794	196,731
Reserve for claims and claims related expense	10,705,000	11,714,000
Total liabilities	**11,142,114**	**12,035,472**
Net position -unrestricted	23,891,227	25,399,473
Net position -invested in capital assets	1,529,006	1,579,483
Total net position	**$ 25,420,233**	**$ 26,978,956**

Total Operating Revenues

NPAIP's primary revenue source comes from premiums written. Premium written increased from $14,390,787 to $15,678,937 during fiscal year ending June 30, 2019. This is an increase of $1,288,150 or 9.0%. This increase is attributable to a rate increase needed to fund increased claims, allocation of special insurance programs into the rates, changes in members deductible options and operating programs.

Program Expenses

Total program expenses decreased to $14,985,980 from $15,864,068 in Fiscal Year 2018. This reflects a decrease of $878,088 or 5.5% in the current year. Losses and loss adjustment expenses decreased $1,307,131 due to adverse development during the prior year. The reinsurance/excess insurance premiums increased $650,732 from $5,309,446 to $5,960,178 because of increased losses and loss adjustments in the prior year. 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. This cost was absorbed into the premium rates in 2019. There was an increase of $156,040 in risk management grants to the members during the year. Slight increases were noted in Third party administrator fees of $16,292 due to increase in claims processing cost, an increase of $21,933 in member education and training from $1,177,977 to $1,199,910, an increase of $68,987 in agent commissions and $213 increase in taxes written .

Administration Expenses

Total administrative expenses were $3,720,037 in Fiscal Year ending June 30, 2019 compared to $3,548,991 in FY 2018. This represents an increase of $171,046 or 4.8%. There was a decrease of $178,334 in the amortization expense related to the Surplus Contribution to Public Risk Mutual. This decrease is due to the amortization of the contributions to PRM over a ten-year period. The management fees went from $513,174 to $821,488 an increase of $308,314. The Board of Directors approved $250,000 in management grant to start Nevada Risk Pooling, Inc to serve as the new management company effective July 1, 2019. The remaining increase was budgeted and included in the approved management contract. Technology services increased to $106,783 from $12,483 due to the purchase of additional technology and support services during the year.

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 $1,148,315 for Fiscal Year end June 30, 2019 compared to ($51,267) in 2018. The investment income was positive for NPAIP as a result of the mark to market value adjustment because of decreasing interest rates in fiscal year 2019. See Note 3 Investment Securities for more details.

Revenues, Expenses and Changes in Net Position:

CONDENSED STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION

	2019	2018
Assessments revenues	$ 15,998,979	$ 14,702,604
Loss fund provision and program expenses	14,985,980	15,864,068
Administration expenses	3,720,037	3,548,991
Total expenses	18,706,017	19,413,059
(Decrease) in operating net position	**(2,707,038)**	**(4,710,455)**
Non-operating net investment income	1,148,315	(51,267)
(Decrease) increase in net position	**$ (1,558,723)**	**$ (4,761,722)**

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 $1,529,006 as of June 30, 2019. This represents 4.2% 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, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 969,204	$ 2,254,893
Investments	18,411,809	18,107,946
Accrued interest	68,263	63,847
Deductibles receivable	644,786	336,162
Assessments receivable	18,426	10,520
Other Receivables	47	47
Specific and aggregate recoverables	3,321,360	2,794,407
Prepaid expense	225,108	220,453
Total current assets	23,659,003	23,788,275
Capital assets:		
Land, building & equipment, net	1,529,006	1,579,483
Other assets:		
Construction in progress	22,894	-
Contributed Surplus Public Risk Mutual, net	11,351,444	13,646,670
Total Assets	**36,562,347**	**39,014,428**
LIABILITIES		
Other current liabilities:		
Accounts payable	300,320	124,741
Risk Management Grants payable	136,794	196,731
Deferred inflows of resources	-	-
Current portion of reserve for claims and claims adjustment expenses	4,332,222	5,047,158
Total current liabilities	4,769,336	5,368,630
Noncurrent liabilities:		
Reserve for claims and claims adjustment expenses	6,372,778	6,666,842
Total non-current liabilities:	6,372,778	6,666,842
Total Liabilities	**11,142,114**	**12,035,472**
NET POSITION		
Net Position, unrestricted	23,891,227	25,399,473
Net Position, invested in capital assets	1,529,006	1,579,483
Total Net Position	**$ 25,420,233**	**$ 26,978,956**

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Revenues, Expenses and Changes in Net Position
For Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Premiums written	$ 15,678,937	$ 14,390,787
Rental income	266,582	261,643
Other Income	53,460	50,174
Total revenues	15,998,979	14,702,604
PROGRAM EXPENSES		
Losses and loss adjustment expenses	5,154,084	6,461,215
Excess insurance premiums	5,960,178	5,309,446
Special insurance programs	-	485,154
Pooling and loss control fees	505,000	505,000
Third party administrator fees	726,947	710,655
Member education and training	396,565	240,525
Loss control awards and grants	1,199,910	1,177,977
Agent commissions	1,024,640	955,653
Taxes written	18,656	18,443
Total program expenses	14,985,980	15,864,068
ADMINISTRATIVE EXPENSES		
Management fees	821,488	513,174
Building maintenance and utilities	93,485	93,190
Depreciation	50,477	49,317
Amortization	2,295,226	2,473,560
Travel	59,994	54,981
Casualty insurance	47,970	31,075
Operating expenses	143,979	189,723
Legal expenses	16,775	45,788
Consultant appraisals	83,860	85,700
Technology services	106,783	12,483
Total pool administration expenses	3,720,037	3,548,991
Total program and administration expenses	18,706,017	19,413,059
Decrease in operating net position	**(2,707,038)**	**(4,710,455)**
Increase in non-operating net investment income	1,148,315	(51,267)
(Decrease) increase in net position	**(1,558,723)**	**(4,761,722)**
Net position, beginning of year	26,978,956	31,740,678
Net position, end of year	**$ 25,420,233**	**$ 26,978,956**

See accompanying notes

NEVADA PUBLIC AGENCY INSURANCE POOL
Statements of Cash Flows
For Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Premiums written	$ 14,835,454	$ 14,211,415
Rental income	266,582	261,643
Other revenues	53,460	50,174
Payment for claims	(6,163,084)	(4,752,215)
Payment to vendors	(11,099,660)	(10,505,811)
Net Cash Used from Operating Activities	(2,107,248)	(734,794)
Cash flows from investing activities:		
Interest and dividend income, net of expenses	518,640	600,085
Purchases of investments	(31,745,904)	(17,538,308)
Proceeds from sales of investments	32,071,717	25,008,356
Net Cash Provided from Investing Activities	844,453	8,070,133
Cash flows from capital activities:		
Increase in capitalization of PRM	-	(5,700,000)
Equipment purchases	-	(6,330)
Construction in progress	(22,894)	-
Net Cash Used for Capital Activities	(22,894)	(5,706,330)
Increase in Cash and Cash Equivalents	(1,285,689)	1,629,009
Cash and Cash Equivalents, beginning of fiscal year	2,254,893	625,884
Cash and Cash Equivalents, year ended June 30	**969,204**	**2,254,893**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating net loss	(2,707,038)	(4,710,455)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	50,477	49,317
Amortization expense	2,295,226	2,473,560
(Increase) in deductibles and assessments receivables	(316,530)	(174,268)
(Increase)in prepaid expense	(4,655)	(136,762)
Decrease in other receivables	-	72,474
(Increase) in recoverables	(526,953)	(81,657)
(Increase) decrease in accrued interest	(4,416)	70,917
Increase (decrease) increase in accounts payable	175,579	(40,983)
(Decrease) increase in Risk Management Grants liability	(59,937)	39,167
(Decrease) in deferred inflows of resources	-	(5,104)
(Decrease) increase in reserve for claims and loss adjustments	(1,009,000)	1,709,000
Net Cash Used by Operating Activities	**$ (2,107,247)**	**$ (734,794)**

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, and 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.

Deductibles 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.

NOTE 3 – CASH AND INVESTMENTS

The carrying amount of NPAIP's deposits with financial institutions at June 30, 2019 and 2018 was $969,204 and $2,254,893.

The financial institution balance at June 30, 2019 and 2018 was $1,500,745 and $2,855,774 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.

	2019	2018
Amounts insured by FDIC	$ 250,000	$ 250,000
Amounts collateralized	721,913	1,301,011
Cash equivalents at brokerage firm	528,832	1,304,763
Total deposits at financial institutions	$ 1,500,745	$ 2,855,774

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, 2019 is as follows:

		Investment Maturities in Years			
	Fair Value	1 year or less	1-5	5-10	Over 10
U.S. Government & Agencies	$ 278,673	$ -	$ 278,673	$ -	$ -
U.S. Mortgage-backed securities	14,670,959	138	177,301	2,310,184	12,183,336
U.S. Government backed securities	838,640	-	-	488,492	350,148
Corporate bonds	2,623,537	-	2,623,537	-	-
Total cash and investments	$ 18,411,809	$ 138	$ 3,079,511	$ 2,798,676	$ 12,533,484

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

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, government back securities and corporate bonds of $18,411,809 and $18,107,946 for years ended June 30, 2019 and 2018 respectively are valued using a matrix pricing model (Level 2 inputs).

NOTE 4 – LAND, BUILDING AND EQUIPMENT

Building and equipment are reported at cost less accumulated depreciation and land at cost.. 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, 2019 and 2018 was as follows:

Property and equipment activity for the year ended June 30, 2019 was as follows:

	Estimated Useful Life	June 30, 2018	Additions	Dispositions	June 30, 2019
Land	-	$ 466,652	$ -	$ -	$ 466,652
Building	40	1,783,716	-	-	1,783,716
Equipment, furniture, fixtures & vehicles	5-7	124,278	-	-	124,278
		2,374,646	-	-	2,374,646
Less accumulated depreciation		(795,163)	(50,477)	-	(845,640)
Capital assets net accumulated depreciation		$ 1,579,483	$ (50,477)	$ -	$ 1,529,006

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

Construction in progress for 2019 and 2108 was $22,894 and $0 respectively.

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:	2018-2019	2017-2018
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:

	2019	2018
Unpaid losses and loss adjustment expenses at beginning of year or period	**$ 11,714,000**	**$ 10,005,000**
Incurred losses and loss adjustment expenses:		
Provision for insured events of current year	5,997,000	5,738,000
Increase (decrease) in provision for insured events of prior fiscal years	(842,916)	723,215
Total incurred losses and loss adjustment	5,154,084	6,461,215
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year/period	(1,160,000)	(1,232,000)
Claims and claims adjustment expenses attributable to insured events of prior	(5,003,084)	(3,520,215)
Total Payments	(6,163,084)	(4,752,215)
Unpaid claims and claims adjustment expenses At end of fiscal year	**$ 10,705,000**	**$ 11,714,000**

In 2019 the current portion of the reserve, cash expected to be paid within 12 months, is $4,332,222 and the long-term portion is $6,372,778. At the end of 2018 the current portion was $5,047,158 and the long-term portion was $6,666,842.

At June 30, 2019 and 2018, NPAIP recorded the liability for losses and loss adjustment expenses based on an estimate by its independent consulting actuary. The reserve balances were developed by an independent actuary and are management's best estimate of reserves at June 30, 2019 and 2018.

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, 2019 and 2018 were $571,488 and $513,174 respectively.

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 2019 and 2018 were $72,627 and $71,196. 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.

Effective July 1, 2019, Nevada Public Agency Insurance Pool (NPAIP) jointly with Public Agency Compensation Trust (PACT) provided a five year grant to Nevada Risk Pooling, Inc. (NRP), a nonprofit organization formed by the executive director of NPAIP, Wayne Carlson, and whose directors are Gerry Eick, Josh Foli, Chris Mulkerns, Cash Minor, and Paul Johnson. The cost of this grant is $1,200,000 for the first year, $1,242,000 in Fiscal Year 2020-2021, $1,285,470 in Fiscal Year 2021-2022, $1,330,461 for Fiscal Year 2022-2023 and $1,377,028 in Fiscal Year 2023-2024. NRP will manage all administrative and risk management duties for NPAIP and PACT. The NRP contract allocation is for POOL to pay 43.75% and PACT 56.25%.

NRP 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 grant agreement. The contract dated July 1, 2019 is for a five year lease period for a monthly amount of $4,311 per month and is adjusted annually thereafter by 2%.

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 $794,950 and $779,350 for the years ended June 30, 2019 and 2018 respectively. PRI provides human resources management services to NPAIP members. PRI pays PARMS a management fee to provide operational and financial oversight of PRI. In 2016, PRI’s contract 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 absorbed 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 is made to NPAIP, the sole policy holder of Public Risk Mutual Company, which was formed as a non-profit captive mutual insurance company.

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 $794,950 and $779,350 for June 30, 2019 and 2018 respectively. The grant was renewed for five years beginning July 1, 2015 through June 30, 2020. The final year cost is $811,200.

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 as of years ended June 30, 2019 and 2018. 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.

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 $2,295,226 and $2,473,560 for fiscal years ended 2019 and 2018.

	June 30, 2018	Additions	June 30, 2019
Contributed surplus to Public Risk Mutual	$ 29,477,263	$ -	$ 29,477,263
Accumulated amortization	(15,830,593)	(2,295,226)	(18,125,819)
Contributed Surplus net of accumulated amortization	$ 13,646,670	$ (2,295,226)	$ 11,351,444

	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

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
2019	-	29,477,263	2,295,226	11,351,444	18,125,819

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:	**2018 -2019**	**2017 - 2018**
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	3,000,000	2,000,000
Privacy Response Expense	500,000	500,000

NOTE 10 – EXCESS INSURANCE OR REINSURANCE (continued)

NPAIP reinsurance is as follows:

Property 2018-2019: 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 2018-2019: 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 $2,000,000 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 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

NOTE 11 – LEASES

On April 6, 2019 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 a lease for a postage machine with Mailfinance in July 2019. The lease is an operating lease with minimum monthly payments of $87.50 for 60 months.

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

Minimum lease payments:		
2020	$	8,622
2021		8,622
2022		8,622
2023		6,729
Total minimum lease payments	$	32,595

NOTE 12 –SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended June 30, 2019. Management has evaluated subsequent events through October 11, 2019 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,

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Required Contributions & Investment Income:										
Earned	$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	$17,193,234
Ceded	(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)	(5,960,178)
Net earned	11,333,195	10,321,643	11,312,176	11,312,176	10,030,742	9,876,671	10,615,406	8,292,207	8,907,051	11,233,056
Unallocated Expenses	4,521,913	4,968,874	5,659,813	5,485,380	5,485,380	5,755,797	6,213,405	6,213,405	7,157,245	7,591,756
Estimated Incurred Claims & Expense End of Policy Year:										
Incurred	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	5,997,000
Ceded	-	-	-		-	-	(87,500)	(1,427,141)	(201,000)	(145,102)
Net Incurred	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	5,851,898
Paid (cumulative) as of:										
End of policy year	417,000	833,000	722,000	652,000	788,000	551,000	485,000	988,000	1,232,000	1,160,000
One Year Later	1,546,000	1,736,000	1,538,000	1,670,000	1,538,000	1,681,000	2,291,000	2,367,000	2,984,000	
Two Years Later	2,386,000	2,083,000	2,331,000	1,937,000	2,142,000	2,061,000	3,272,000	3,253,000		
Three Years Later	2,827,000	3,053,000	2,601,000	2,548,000	2,656,000	2,277,000	3,939,000			
Four Years Later	3,401,000	3,306,000	2,723,000	2,797,000	2,973,000	2,395,000				
Five Years Later	3,799,000	3,324,000	3,003,000	2,894,000	2,997,000					
Six Years Later	3,632,000	3,370,000	3,078,000	2,944,000						
Seven Years Later	3,638,000	3,627,000	3,249,000							
Eight Years Later	3,638,000	3,974,000								
Nine Years Later	3,640,000									
Re-estimated ceded claims & Expenses	725,387	2,536,444	769,211	529,625	2,117,813	591,978	2,414,563	5,409,345	1,727,210	145,102
Re-estimated Claims & Expense										
End of policy year	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	5,851,898
One Year Later	4,953,000	4,973,000	4,461,000	4,425,000	4,159,000	3,864,000	4,769,000	5,269,000	5,269,000	
Two Years Later	4,185,000	4,827,000	3,780,000	3,650,000	3,713,000	3,134,000	5,406,000	4,761,000		
Three Years Later	3,618,000	4,051,000	3,297,000	3,137,000	3,285,000	3,140,000	4,838,000			
Four Years Later	3,712,000	4,048,000	3,265,000	3,350,000	3,229,000	3,080,000				
Five Years Later	3,925,000	3,972,000	3,308,000	3,235,000	3,196,000					
Six Years Later	3,743,000	3,491,000	3,262,000	3,119,000						
Seven Years Later	3,638,000	4,036,000	3,249,000							
Eight Years Later	3,638,000	3,974,000								
Nine Years Later	3,640,000									
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	(2,396,000)	(1,964,000)	(2,222,000)	(2,251,000)	(1,655,000)	(1,237,000)	(242,500)	553,141	(268,000)	-

This information is required by the Governmental Accounting Standards Board