



Financial Statements
December 31, 2014 and 2013

South Dakota Public Assurance Alliance

South Dakota Public Assurance Alliance

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Independent Auditor's Report

To the Board of Directors
South Dakota Public Assurance Alliance
Fort Pierre, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of South Dakota Public Assurance Alliance, which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Dakota Public Assurance Alliance as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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.



Fargo, North Dakota
May 11, 2015

As management of the South Dakota Public Assurance Alliance (the Pool), we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the Pool for the years ended December 31, 2014 and 2013.

Financial Highlights

- Total assets increased by \$1,807,931 and \$2,476,544 to \$32,890,614 and \$31,082,683 in 2014 and 2013, respectively.
- Cash and current investments decreased by \$2,775,646 and \$140,309 in 2014 and 2013, respectively. Non-current investments increased by \$4,816,690 and \$1,952,340 in 2014 and 2013, respectively.
- For 2014 and 2013, the Pool had operating income of \$2,111,535 and \$2,629,530, respectively.
- Net investment income (loss) was \$790,786 and (\$26,935) in 2014 and 2013, respectively.
- The Board of Directors authorized the issuance of renewal, loss control, loss ratio and law enforcement credits against members' contributions and will use a portion of surplus to fund these credits.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Pool's basic financial statements. The Pool operates as a single proprietary fund, more specifically as an enterprise fund, in accounting for members' participation in the public entity self-insurance pool. The Pool's basic financial statements are comprised of two components, the basic financial statements and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements

The financial statements are designed to provide readers with a broad overview of the Pool's finances, in a manner similar to a private-sector business.

The statements of net position present information on all of the Pool's assets and liabilities, with the difference reported as net position. The Pool retains equity and the Board of Directors has designated an Operating Fund and a Cumulative Reserve Fund, the sum of these comprise Net Position – Unrestricted in the Pool's Statement of Net Position.

The statements of revenues, expenses and changes in net position present information on all of the Pool's revenues and expenses. Any excess or deficiency of revenues over expenses is reported as change in net position.

The statements of cash flows present information on cash flows provided by and used in activities. The activities are classified into one of three categories: operating activities, noncapital financing activities, and investing activities.

The financial statements can be found on pages 9 through 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to obtain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 23 of this report.

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Management's Discussion and Analysis – Unaudited
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Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required and other supplementary information consisting of the Schedules of Claims Development Information and combined schedules of the basic financial statements. Supplementary information begins on page 25.

Financial Analysis

By far the largest portion of the Pool's assets (95%), as of December 31, 2014, is its cash and investments. The Pool uses these assets primarily to pay claim liabilities.

	The Pools Net Position				
	2014	2013	Change 2013-2014	2012	Change 2012-2013
Current Assets					
Cash and investments	\$ 2,200,623	\$ 4,976,269	\$ (2,775,646)	\$ 5,116,578	\$ (140,309)
Receivables	336,716	740,577	(403,861)	138,741	601,836
Prepaid expenses	122,741	126,727	(3,986)	106,430	20,297
Total current assets	<u>2,660,080</u>	<u>5,843,573</u>	<u>(3,183,493)</u>	<u>5,361,749</u>	<u>481,824</u>
Noncurrent Assets					
Investments	29,213,797	24,397,107	4,816,690	22,444,767	1,952,340
Contributed surplus and member equity in NLC					
Mutual Insurance Company	884,524	842,003	42,521	799,623	42,380
Capital assets	132,213	-	132,213	-	-
Total noncurrent assets	<u>30,230,534</u>	<u>25,239,110</u>	<u>4,991,424</u>	<u>23,244,390</u>	<u>1,994,720</u>
Total Assets	<u>\$ 32,890,614</u>	<u>\$ 31,082,683</u>	<u>\$ 1,807,931</u>	<u>\$ 28,606,139</u>	<u>\$ 2,476,544</u>
Current Liabilities					
Losses and loss adjustment expense reserves	\$ 3,560,802	\$ 4,375,677	\$ (814,875)	\$ 3,147,148	\$ 1,228,529
Accounts payable and accrued expenses	833	44,134	(43,301)	978	43,156
Unearned contributions	3,382,851	3,676,650	(293,799)	3,390,587	286,063
Total current liabilities	<u>6,944,486</u>	<u>8,096,461</u>	<u>(1,151,975)</u>	<u>6,538,713</u>	<u>1,557,748</u>
Noncurrent Liabilities					
Losses and loss adjustment expense reserves	8,049,823	8,126,257	(76,434)	9,965,969	(1,839,712)
Unearned contributions, capitalization contributions	99,402	111,244	(11,842)	101,627	9,617
Total noncurrent liabilities	<u>8,149,225</u>	<u>8,237,501</u>	<u>(88,276)</u>	<u>10,067,596</u>	<u>(1,830,095)</u>
Total Liabilities	<u>15,093,711</u>	<u>16,333,962</u>	<u>(1,240,251)</u>	<u>16,606,309</u>	<u>(272,347)</u>
Net Position, Unrestricted	<u>17,796,903</u>	<u>14,748,721</u>	<u>3,048,182</u>	<u>11,999,830</u>	<u>2,748,891</u>
Total Liabilities and Net Position	<u>\$ 32,890,614</u>	<u>\$ 31,082,683</u>	<u>\$ 1,807,931</u>	<u>\$ 28,606,139</u>	<u>\$ 2,476,544</u>

- There was an increase in cash and investments of \$2,041,044 and \$1,812,031 in 2014 and 2013 respectively. During 2014, the current portion of cash and investments decreased by \$2,775,646 while the long-term portion increased by \$4,816,690. During 2013, the current portion of cash and investments decreased by \$140,309 while the long-term portion increased by \$1,952,340. The overall increase in cash and investments in 2014 and 2013 was due in part to additional cash being available to invest as a result of reinsurance payments received during the year and lower than anticipated paid losses. Additionally, the Pool invested in longer term investments, thus increasing its long-term portion of the portfolio.
- There was a decrease in receivables in 2014 of \$403,861 because of reinsurance payments received during the year. There was an increase in receivables in 2013 of \$601,836 due to an increase in reinsurance recoverables for paid losses.
- Prepaid expenses decreased in 2014 by \$3,986 and increased in 2013 by \$20,297. The decrease in 2014 was due to the timing of the payment of marketing fees. The increase in 2013 was due to early payment of 2014 contributions by members, which increased the amount of the prepaid commissions.
- Loss and loss adjustment expense reserves decreased by \$891,309 and \$611,183 in 2014 and 2013, respectively. During 2014, the current portion of losses and loss adjustment expense reserves decreased by \$814,875, and the long term portion decreased by \$76,434. During 2013, the current portion of losses and loss adjustment expense reserves increased by \$1,228,529, while the long term portion decreased by \$1,839,712. The decrease in 2014 was due to changes in estimates of insured events in prior years. The decrease in 2013 was due primarily to the settling of and payments on some large older claims, therefore decreasing the reserves.
- There was an increase in unrestricted net position of \$3,048,182 and \$2,748,891 in 2014 and 2013, respectively. In 2014, the increase is the result of operating and nonoperating revenue exceeding operating expenses. In 2013, the increase was due in large part to an increase in the purchase of investments.

Agency Activities

The Pool's operating revenues are generated through membership contributions, which are primarily reduced by reinsurance premiums ceded. Operating expenses are in two categories: losses and loss adjustment expenses and general and administrative expenses. The loss fund levels for payment of losses and loss adjustment expenses were established based on historical claim data. The Pool engages an independent actuary to assist it in determining loss fund levels and reserve adequacies.

For 2014, 2013, and 2012, respectively, the Pool had operating income (loss) of \$2,111,535, \$2,629,530 and (\$156,391).

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The Pool's Operating Income (Loss)					
	2014	2013	Change 2013-2014	2012	Change 2012-2013
Operating Revenues					
Contributions, net	\$ 10,831,701	\$ 10,474,258	\$ 357,443	\$ 9,834,528	\$ 639,730
Reinsurance premiums ceded	(1,638,934)	(1,687,959)	49,025	(1,533,050)	(154,909)
Net Operating Revenues	9,192,767	8,786,299	406,468	8,301,478	484,821
Operating Expenses					
Losses and loss adjustment expenses incurred	4,532,398	4,022,131	510,267	6,556,441	(2,534,310)
General and administrative expenses	2,548,834	2,134,638	414,196	1,901,428	233,210
Total Operating Expenses	7,081,232	6,156,769	924,463	8,457,869	(2,301,100)
Operating Income (Loss)	\$ 2,111,535	\$ 2,629,530	\$ (517,995)	\$ (156,391)	\$ 2,785,921

- Membership contributions in 2014 and 2013 increased by \$357,443 and \$639,730, respectively. Contribution rates are calculated for General Liability by multiplying the members' operating expenditures and payroll by rates determined by population. Contribution rates are calculated for Officials Liability by multiplying the number of elected officials and employees by average rates. Automobile Liability rates are calculated by multiplying the number of vehicles by the vehicle rate, which is based on the vehicle type. Automobile Physical Damage rates are calculated by multiplying the value of the vehicle by a related average rate. Property rates are calculated by multiplying the value of the related property by a rate based on construction and protection class.

The members' exposure base increased in 2014 and 2013 as listed below, and the average contribution rate was unchanged for 2014 and 2013, respectively.

	2014	2013
General liability	2.0%	0%
Officials liability	2.0%	2%
Auto liability	5.0%	1%
Auto physical damage	7.0%	7%
Law enforcement liability	3.0%	-1%
Property	3.0%	9%

Membership contributions are recorded net of renewal, loss control, loss ratio and law enforcement contribution credits. During 2014 and 2013, these credits increased by \$36,645 and decreased by \$587, respectively. The overall increase in member contributions was due to an increase in the members and the renewal members' exposure base.

- In 2014 and 2013, reinsurance premiums ceded decreased by \$49,025 and increased by \$154,909, respectively, primarily due to a change in the Pool's liability and property reinsurance rates and changes in the value of reinsured assets.

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- Loss and loss adjustment expenses increased by \$510,267 and decreased by \$2,534,310 in 2014 and 2013, respectively. These changes are primarily the result of changes in insured events of current and prior years as a result of new information becoming available.
- General and administrative costs increased by \$414,196 and \$233,210 in 2014 and 2013, respectively, primarily due to increases in service provider fees.

The Pool's nonoperating revenues and expenses are comprised of investment income, earned member equity from NLC Mutual Insurance Company and members' capitalized contributions.

The Pool's Nonoperating Revenues and Expenses					
	2014	2013	Change 2013-2014	2012	Change 2012-2013
Nonoperating Revenues					
Net investment income (loss)	\$ 790,786	\$ (26,935)	\$ 817,721	\$ 443,836	\$ (470,771)
Earned member equity, NLC Mutual Insurance Company	43,062	42,380	682	31,567	10,813
Total Nonoperating Revenues	833,848	15,445	818,403	475,403	(459,958)
Nonoperating Expenses	-	-	-	-	-
Net Nonoperating Revenues	\$ 833,848	\$ 15,445	\$ 818,403	\$ 475,403	\$ (459,958)

Investment income increased by \$817,721 and decreased by \$470,771 in 2014 and 2013, respectively. The increase in investment income in 2014 was due to net increase in realized and unrealized gains. The decrease in 2013 was primarily due to realized losses upon sales of investments and unrealized losses due to the change in fair value of the investments.

- Each member's equity account of NLC Mutual may be credited each year with the member's proportionate share of realized investment income earned by NLC Mutual. Effective December 31, 2006, the Pool withdrew from the property and casualty coverages of NLC Mutual. The Pool did not receive any allocations of NLC Mutual's investment income during 2008. During 2009, the Pool rescinded its withdrawal notice to NLC Mutual and increased its member equity in NLC Mutual by its proportionate share of allocated realized investment income and other NLC Mutual activity. The Pool recorded an increase in allocated equity of \$682 and \$10,813 in 2014 and 2013, respectively.
- Capitalized contributions were \$102,799 and \$103,916 in 2014 and 2013, respectively. There were no capitalized distributions in 2014 and 2013.

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The Pool's Total Revenue and Expenses					
	2014	2013	Change 2013-2014	2012	Change 2012-2013
Operating Revenues	\$ 9,192,767	\$ 8,786,299	\$ 406,468	\$ 8,301,478	\$ 484,821
Nonoperating Revenues	833,848	15,445	818,403	475,403	(459,958)
Total revenues	<u>10,026,615</u>	<u>8,801,744</u>	<u>1,224,871</u>	<u>8,776,881</u>	<u>24,863</u>
Operating Expenses	7,081,232	6,156,769	924,463	8,457,869	(2,301,100)
Nonoperating Expenses	-	-	-	-	-
Total expenses	<u>7,081,232</u>	<u>6,156,769</u>	<u>924,463</u>	<u>8,457,869</u>	<u>(2,301,100)</u>
Capitalization Contributions	102,799	103,916	(1,117)	85,540	18,376
Capitalization Distributions	-	-	-	(930)	930
Change in Net Position	<u>\$ 3,048,182</u>	<u>\$ 2,748,891</u>	<u>\$ 299,291</u>	<u>\$ 403,622</u>	<u>\$ 2,345,269</u>
Net Position, End of Year	<u>\$ 17,796,903</u>	<u>\$ 14,748,721</u>	<u>\$ 3,048,182</u>	<u>\$ 11,999,830</u>	<u>\$ 2,748,891</u>

Economic Factors and Next Year's Results

- In 2015, the Pool's revenue base will increase slightly due to several new members in the casualty and property programs.
- The loss fund rate, for the same self-insured retention levels and member deductibles as 2014, will remain the same.
- The members will be offered renewal, loss control, loss ratio and law enforcement credits in 2015 as in 2014.

All of these factors were considered in preparing the Pool's budget for the 2015 year.

Request for Information

This financial report is designed to provide a general overview of the Pool's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Judy Payne, Executive Director, South Dakota Public Assurance Alliance, 208 Island Drive, Ft. Pierre, SD 57532.

South Dakota Public Assurance Alliance
Statements of Net Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 684,733	\$ 1,603,229
Receivables		
Contributions	25,141	166,133
Investment income	110,436	84,984
Reinsurance recoverable on paid losses (Notes 4 and 5)	201,139	489,460
Prepaid expenses	122,741	126,727
Investments (Note 2)		
Certificates of deposit	1,515,890	2,221,828
Debt securities	-	1,151,212
Total current assets	2,660,080	5,843,573
Noncurrent Assets		
Investments (Note 2)		
Certificates of deposit	4,632,167	4,303,077
Debt securities	24,581,630	20,094,030
Contributed Surplus and Member Equity in NLC Mutual Insurance Company (Note 6)	884,524	842,003
Capital Assets, Net (Note 3)	132,213	-
	30,230,534	25,239,110
	\$ 32,890,614	\$ 31,082,683
Liabilities and Net Position		
Current Liabilities		
Losses and loss adjustment expense reserves, net (Notes 4 and 5)	\$ 3,560,802	\$ 4,375,677
Accounts payable and accrued expenses	833	44,134
Unearned contributions	3,382,851	3,676,650
Total current liabilities	6,944,486	8,096,461
Noncurrent Liabilities		
Losses and loss adjustment expense reserves, net (Notes 4 and 5)	8,049,823	8,126,257
Unearned contributions, capitalization contributions	99,402	111,244
Total noncurrent liabilities	8,149,225	8,237,501
Total liabilities	15,093,711	16,333,962
Net Position - Unrestricted	17,796,903	14,748,721
	\$ 32,890,614	\$ 31,082,683

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Contributions		
Operating, net of credits of \$1,009,230 and \$972,584 in 2014 and 2013, respectively (Note 7)	\$ 10,831,701	\$ 10,474,258
Reinsurance premiums ceded (Note 6)	(1,638,934)	(1,687,959)
Net Operating Revenues	9,192,767	8,786,299
Operating Expenses		
Losses and loss adjustment expenses incurred, net (Notes 4 and 6)	4,532,398	4,022,131
General and administrative expenses		
Marketing and administrator's fees	1,607,021	1,586,221
Other	941,813	548,417
Total general and administrative expenses	2,548,834	2,134,638
Total Operating Expenses	7,081,232	6,156,769
Operating Gain	2,111,535	2,629,530
Nonoperating Revenues		
Net investment income (loss) (Note 2)	790,786	(26,935)
Earned member equity, NLC Mutual Insurance Company	43,062	42,380
Total nonoperating revenues	833,848	15,445
Income Before Capitalization Contributions and Distributions	2,945,383	2,644,975
Capitalization Contributions	102,799	103,916
Change in Net Position	3,048,182	2,748,891
Net Position, Beginning of Year	14,748,721	11,999,830
Net Position, End of Year	\$ 17,796,903	\$ 14,748,721

South Dakota Public Assurance Alliance
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Activities		
Operating contributions received	\$ 10,678,894	\$ 10,595,172
Reinsurance premiums paid	(1,638,934)	(1,687,959)
Losses and loss adjustment expenses paid	(5,135,386)	(5,113,267)
General and administrative expenses paid	(2,562,491)	(2,111,774)
Net Cash Provided by Operating Activities	1,342,083	1,682,172
Noncapital Financing Activities		
Cumulative reserve contributions received	90,957	113,533
Capital and Related Financing Activities		
Purchase of capital assets	(157,871)	-
Cash Flows from Investing Activities		
Debt securities		
Purchases	(10,564,767)	(12,046,808)
Maturities and calls	3,905,227	4,240,915
Repayments on mortgage-backed securities	3,412,619	6,395,125
Proceeds from maturities of certificates of deposit	2,717,266	2,319,239
Purchases of certificates of deposit	(2,336,091)	(2,453,815)
Investment income received, net of investment expenses	672,081	869,433
Net Cash Used in Investing Activities	(2,193,665)	(675,911)
Net Change in Cash and Cash Equivalents	(918,496)	1,119,794
Cash and Cash Equivalents, Beginning of Year	1,603,229	483,435
Cash and Cash Equivalents, End of Year	\$ 684,733	\$ 1,603,229
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Operating gain	\$ 2,111,535	\$ 2,629,530
Adjustments to reconcile operating gain to net cash from		
Operating Activities		
Depreciation	25,658	-
Decrease (increase) in assets		
Contributions receivable	140,992	(165,151)
Reinsurance recoverable on paid losses	288,321	(479,953)
Prepaid expenses	3,986	(20,297)
Decrease (increase) in liabilities		
Losses and loss adjustment expense reserves	(891,309)	(611,183)
Accounts payable and accrued expenses	(43,301)	43,155
Unearned contributions	(293,799)	286,071
Net Cash Provided by Operating Activities	\$ 1,342,083	\$ 1,682,172
Supplemental Disclosure of Noncash Investing and Financing Activity		
Net increase (decrease) in the fair value of investments	\$ 93,792	\$ (861,738)

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity

The South Dakota Public Assurance Alliance (the Pool) is a local government risk-sharing pool whose 409 members are various governmental entities throughout South Dakota. The Pool was formed in December 1986 for the primary purpose of managing and funding third-party claims against its members. An Intergovernmental Contract governs the operations of the Pool. The administration of the Intergovernmental Contract and management of the Pool are performed by a Board of Directors of not more than eleven members.

The Pool operates as a single proprietary fund, more specifically as an enterprise fund. The Pool distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Pool's principal ongoing operations. Nonoperating revenues and expenses result primarily from investment activities.

Nature of Business

The Board of Directors has designated an "Operating Fund" and a "Cumulative Reserve Fund", the sum of these amounts comprise Net Position – Unrestricted in the Pool's statements of net position. Amounts in the Operating Fund are adjusted by changes in net position resulting from other than capitalization contributions, which are net of distributions of capitalization contributions. As of December 31, 2014 and 2013, the Operating Fund had a surplus of \$6,742,802 and \$3,785,579, respectively, and the Cumulative Reserve Fund had a balance of \$11,054,098 and \$10,963,141, respectively. In the event that the Operating Fund is exhausted during any Pool fiscal year, any funds required to fulfill the purpose of the Operating Fund will be allocated from the Cumulative Reserve Fund. The sum so allocated constitutes a deficiency in the Cumulative Reserve Fund. This deficiency in the Cumulative Reserve Fund will be allocated to the members at the time withdrawn, on a pro rata basis determined by the Board of Directors. This deficit in the Cumulative Reserve Fund will be made up in subsequent years with any excess of income over expenses in the Operating Fund being transferred to the Cumulative Reserve Fund.

New members with casualty risk coverage provided by the Pool agree to make "capitalization contributions" to the Pool, which are allocated from their operating contributions during the first six years of their membership. Capitalization contributions are made in six annual installments according to the following schedule:

	Percent of "Basis Rate"
Initial contribution	100%
First anniversary	75
Second anniversary	50
Third anniversary	30
Fourth anniversary	25
Fifth anniversary	20

Subsequent to the fifth anniversary, additional capitalization contributions are required only if the Pool's Board of Directors determine that such contributions are necessary to maintain the Cumulative Reserve Fund at a level equal to 300% of the total current basis rates of all members or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool. Capitalization contributions do not apply to members with property risk coverage.

“Basis rate” is that amount annually promulgated by the administrator of the Pool which is deemed necessary to provide the scope of coverage afforded to a member for the period of one year corresponding to the risk sharing certificate effective date, with due consideration to the member’s individual characteristics.

Members agree to continue membership for a period of not less than one full year. At the conclusion of such period, or anniversary thereof, a member who has given sixty days prior written notice to the Pool may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next annual budget is completed, the Pool will refund to the withdrawing member that percentage of those capitalization contributions made to the Pool under casualty risk coverage, according to the following schedule:

End of member's first full year	50%
End of member's second full year	60%
End of member's third full year	70%
End of member's fourth full year	80%
End of member's fifth full year	90%
End of member's sixth full year and thereafter	100%

The Pool will deduct from such refund, the member’s contribution, which the withdrawing member would have made for the one-year period following withdrawal together with the withdrawing member’s proportionate share (determined in accordance with the Intergovernmental Contract) of any deficiency in the Cumulative Reserve Fund.

A member’s election to cease participation in the Pool for property risk coverage does not constitute a withdrawal under any other terms and conditions of the Intergovernmental Contract. Property risk coverage applies only to losses or claims, which occur prior to the termination date. All rights for reimbursement or any right to claim against the Pool terminate for property risk losses, which occur after the termination date.

Effective on the date of withdrawal, payments for all known and unknown casualty risk coverage claims and claims expense thereafter, become the sole responsibility of the withdrawing member without regard to whether a claim occurred or was reported prior to the withdrawal of the member’s participation in the Pool.

Effective on the date of withdrawal, payments for all property risk claims and claims expense which occurred thereafter, become the sole responsibility of the withdrawing member. The Pool will cover any property claim reported in a timely manner not to exceed sixty days after its occurrence, if the claim occurred during the period the risk sharing certificate was in effect and if coverage was otherwise available under the risk sharing certificate.

The Pool may, by a two-thirds (2/3) majority of the Board of Directors and by providing a member 60 days prior written notice, cancel that member’s participation in the Pool and terminate its Intergovernmental Contract effective at the end of any risk sharing certificate year. Thereafter, it is the responsibility of the Pool to defend, settle and pay claims within the scope and limits set forth in the cancelled member’s risk sharing certificate in effect on the date of the occurrence out of which such claim arose. This provision applies solely to claims, which occurred during a member’s participation and evidenced by the member’s risk sharing certificate. The cancelled member has the right, prior to the actual date of cancellation, to withdraw from the Pool by giving notice of such withdrawal. Electing to withdraw, the member shall be subject to the withdrawal provisions of the Intergovernmental Contract. Failing to elect to give notice of withdrawal, the cancelled member forfeits all rights to refund of those capitalization contributions made to the Pool by said cancelled member.

Any member failing to make payments when due as required by the Intergovernmental Contract will be terminated from the Pool effective on the date the payment was due and upon that effective date of termination all coverages and benefits thereunder cease. All known and unknown claims and claims expenses thereafter become the sole responsibility of the terminated member without regard to whether a claim occurred or was reported prior to the termination of the member's participation in the Pool. The terminated member also forfeits all rights to any return of contributions including its vested interest in the Cumulative Reserve Fund. The Pool will apply any or all of the terminated member's forfeited funds to the Operating Fund. If the member subsequently submits its payment, the administrator may, in its discretion, reinstate such membership.

In the event that a claim or a series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a claim or a series of claims should exhaust the Operating Fund, the Cumulative Reserve Fund and any reinsurance, then payment of valid claims are the sole and separate obligation of the individual member or members against whom the claim was made and perfected by litigation or settlement.

The Pool will terminate at such time as two-thirds (2/3) of the members vote for such termination. After a vote to terminate, the Board of Directors will commence with the orderly liquidation of the Pool's business and will complete the same as promptly as possible. During such period of liquidation the Pool will continue to pay claims and losses incurred within the scope of coverage and pursuant to the risk sharing certificate until all funds of the Pool are exhausted. After payment of all claims and losses, any remaining funds held by the Pool will be paid to all members of the Pool at the time of the vote of termination, on a pro rata basis determined by the Board of Directors.

To the extent of the existence of funds in the Operating Fund and Cumulative Reserve Fund, no member shall be responsible for any claim, claims, judgment or judgments against any other member or members. If upon termination of the Pool the remaining assets of the Pool are insufficient to satisfy indebtedness of the Pool (excluding claims or judgments against the members), such deficiency will be made up by assessments against members of the Pool on a pro rata basis determined by the Board of Directors.

The Pool is exposed to various risks of loss related to torts and errors and omissions. The Pool has purchased commercial insurance to mitigate its risks.

A summary of the Pool's significant accounting policies follows:

Basis of Presentation

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The Pool prepares its financial statements primarily following the guidance of Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by subsequent GASB statements) along with other applicable standards issued by the GASB. GASB Statement No. 10 establishes accounting and financial reporting standards for risk financing and insurance-related activities of public entity risk pools.

Estimates

The preparation of financial statements requires 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 period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the estimated liability for losses and loss adjustment expense reserves, amounts recoverable from reinsurers under excess of loss agreements, and the determination of estimated fair values of investments.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Pool includes as cash equivalents all cash accounts and money market mutual funds which are not subject to withdrawal restrictions or penalties. Certificates of deposit are considered investments as all have been purchased with original maturities in excess of ninety days.

Receivables

Receivables are recorded based on amounts due from members and other third party payers, and amounts estimated to be received or recovered from reinsurers and other third party payers. The Pool evaluates the collectability of such receivables monthly based on the third party payers' financial condition, credit history, and current economic conditions. Receivables are written-off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Investments

Investment securities are accounted for under the provisions of GASB Statement No. 31. Under GASB No. 31, the Pool is required to report investments (other than certificates of deposit) at fair value in the statement of net position with changes in the fair value of investments reported as investment income. Certificates of deposit are stated at cost.

Dividend and interest income are recognized when earned.

The calculation of realized gains and losses is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held for more than one year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

The Pool's Board of Directors has authorized investments in certificates of deposit, United States Treasury and government agency issues, mortgage-backed securities and mutual funds, among other investments.

Member Equity in NLC Mutual Insurance Company

The Pool records its share of net increases (decreases) in net position – unrestricted as income (loss) in the Pool's statement of revenues and expenses and adds (deducts) such amounts to (from) the investment account.

Capital Assets

Expenditures on property and equipment that are in excess of \$2,500 or significantly increase the life an asset are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset, which ranges from five to seven years and is computed using the straight-line method.

Reinsurance

In the normal course of business, the Pool seeks to reduce the loss that may arise from events that cause unfavorable underwriting results, by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

Amounts recoverable from reinsurers under excess loss coverages are estimated in a manner consistent with the development of the estimated liability for losses and loss adjustment expense reserves.

Losses and Loss Adjustment Expense Reserves

The Pool establishes loss reserves based upon estimates of the ultimate cost of losses, including future loss adjustment expenses related to claims that have been reported but not settled and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the type of coverage involved.

The estimated liability for losses and loss adjustment expenses is based upon data developed by the Pool's administrator. Industry experience and statistics were used to develop the estimated liability. The claims history of the Pool was also considered.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Pool believes the estimated liability for losses and loss adjustment expense reserves is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated. Management estimated claims liabilities at December 31, 2014 and 2013 after consultation with an independent actuary.

Capitalization Contributions and Unearned Contributions

Casualty capitalization contributions are accounted for under the provisions of GASB Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools* (Interpretation No. 4). Under Interpretation No. 4, capitalization contributions to pools to which risk is transferred must be accounted for as revenue by initially recording such contributions as unearned contributions, then amortizing them into revenue over an appropriate period not to exceed ten years. Unearned contributions resulting from the application of Interpretation No. 4 are being amortized pro rata over a six-year period, the period over which capitalization contributions are allocated.

Operating Contributions and Unearned Contributions

Members are billed annually in advance for operating contributions. Income from such contributions is recorded as earned during the coverage period. Contributions received in advance for coverage in the following year are recorded as unearned contributions. Revenue is reduced by reinsurance premiums ceded to the reinsurance companies.

Income Taxes

The Pool has received a private letter ruling from the Internal Revenue Service, dated December 7, 1987, to the effect that the Pool's income is excludable from gross income under Section 115 of the Internal Revenue Code and is thus exempt from federal income taxes. Management believes that the Pool continues to operate in a manner whereby it continues to be tax exempt.

Premium Deficiency

A premium deficiency exists when the sum of expected claims costs (including an estimated liability for unreported claims) and all expected claims adjustment expenses, expected dividends, and policy acquisition costs exceed related unearned premiums. The Pool anticipates investment income in determining if a premium deficiency exists. The Pool had zero premium deficiency in 2014 and 2013.

Reclassifications

Certain reclassifications of investments previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on change in net position or net position.

Subsequent Events

The Pool has evaluated subsequent events through May 11, 2015 the date on which the financial statements were available to be issued.

Note 2 - Deposits and Investments

As of December 31, 2014, the Pool had the following investments:

Investment Type	Fair Value/ Carrying Value	Effective Duration (In Years)
U.S. Government corporations and agencies	\$ 11,392,031	1.36
Mortgage-backed securities	13,189,599	1.18
Certificates of deposit	6,148,057	0.49
Total weighted average	\$ 30,729,687	1.11

As of December 31, 2013, the Pool had the following investments:

Investment Type	Fair Value/ Carrying Value	Effective Duration (In Years)
U.S. Government corporations and agencies	\$ 4,842,231	1.27
Mortgage-backed securities	16,403,011	3.39
Certificates of deposit	6,524,905	1.70
Total weighted average	\$ 27,770,147	2.62

As of December 31, 2014 and 2013, the Pool had no investments which exceed 5% of the total investment portfolio.

The fair value of investments increased by \$93,792 and decreased by \$861,738 during 2014 and 2013, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (i.e. broker-dealer) to a transaction, the Pool will not be able to recover the value of its investments that are in the possession of another party. The Pool's cash and cash equivalents are comprised of money market and checking accounts, the balances of which are periodically in excess of federally insured limits.

Interest Rate Risk

The Pool's investment policy provides for the avoidance of undue concentration in the maturity of bonds in the portfolio and the effective duration of the portfolio is limited to no longer than four years. The investment policy also provides that at least \$300,000 or more of investments should mature within 20 days or less.

Credit Risk

The Pool's investment policy provides that all investments shall be federally insured, senior debt or collateralized obligations of United States Government agencies, or meet the requirements of SDCL 4-5-6, which allows investments in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. The Pool has no investment policy that would further limit its investment choices other than as described in its investment footnote disclosures. The credit rating obtained by Standard & Poor's or Moody's for all U.S. Government corporations and agencies and mortgage-backed securities held by the Pool is AAA as of December 31, 2014 and 2013.

Concentration of Credit Risk

The Pool's investment policy provides that securities issued directly by or indirectly guaranteed by the United States Government (including, but not limited to U.S. Treasury securities and securities issued by or guaranteed by the Government National Mortgage Association) may be owned without limit. The aggregate market value of all unsecured obligations issued by or guaranteed by government sponsored enterprises which are not direct or indirect obligations of the U.S. Treasury (including, but not limited to Fannie Mae, Freddie Mac, and the Federal Home Loan Bank) are limited to 60% of the market value of the portfolio. This limitation does not apply to collateralized obligations guaranteed by these government sponsored enterprises (including, but not limited to mortgage-backed pass-through securities). The aggregate market value of all certificates of deposit owned in the portfolio cannot exceed 75% of the market value of the portfolio. The use of leverage and direct investment in derivative securities is prohibited.

Note 3 - Capital Assets

Fixed assets as of December 31, 2014 and 2013 consisted of the following:

	2014	2013
Office equipment	\$ 118,055	\$ -
Vehicles	39,762	-
	157,817	-
Less accumulated depreciation	(25,604)	-
	\$ 132,213	\$ -

Note 4 - Liability for Losses and Loss Adjustment Expense Reserves

The Pool establishes liabilities for both reported and unreported covered events, which includes estimates of both future payments of claims and related claims adjustment expenses. The following is a summary of the changes in those aggregate liabilities for the years ended December 31, 2014 and 2013.

	2014	2013
Unpaid losses and loss adjustment expense reserves, beginning of year	\$ 12,501,934	\$ 13,113,117
Less reinsurance recoverable, beginning of year	(489,460)	(9,507)
Net unpaid losses and loss adjustment expense reserves, beginning of year	12,012,474	13,103,610
Net incurred losses and loss adjustment expenses		
Current year provision	6,113,676	5,936,255
Decrease in prior years' provisions	(1,581,278)	(1,914,124)
Net provision	4,532,398	4,022,131
Net losses and loss adjustment expense payments attributable to		
Current year	(1,511,802)	(1,446,099)
Prior years	(3,623,584)	(3,667,168)
Net payments	(5,135,386)	(5,113,267)
Net unpaid losses and loss adjustment expense reserves, end of year	11,409,486	12,012,474
Plus reinsurance recoverable at end of year	201,139	489,460
Unpaid losses and loss adjustment expense reserves, end of year	\$ 11,610,625	\$ 12,501,934

As a result of changes in estimates of insured events in prior years, the provision for losses and loss adjustment expense reserves decreased approximately \$1,581,000 and \$1,914,000 in 2014 and 2013, respectively. The change in incurred losses was primarily attributable to new information regarding claim development that became known during subsequent periods.

Note 5 - Reinsurance

The Pool has a casualty reinsurance agreement in which the Pool retains casualty risks up to \$500,000 per claim in 2014 and 2013, and claims exceeding the retention are reinsured in amounts ranging from \$500,000 to \$6,000,000 of loss per occurrence in both 2014 and 2013.

The Pool also has property reinsurance in which the Pool retains property risks up to \$250,000 per claim in an amount not to exceed \$250,000,000 per occurrence in 2014 and 2013.

The Pool would be liable for any obligations that the reinsurance companies are unable to meet under the reinsurance agreements. Reinsurance amounts of \$2,671,187 and \$6,598,584 were deducted from the estimated liability for losses and loss adjustment expense reserves in 2014 and 2013, respectively. Recovery amounts of \$6,596,751 and \$2,295,745 from reinsurance, subrogation, and deductibles were deducted from losses and loss adjustment expenses incurred. During 2014 and 2013, the Pool ceded \$1,638,934 and \$1,687,959 of contributions to the reinsurance companies under contract.

Note 6 - NLC Mutual Insurance Company

In prior years, the Pool had property and casualty reinsurance coverages with NLC Mutual Insurance Company (NLC Mutual), and has since replaced these coverages with other companies. Within each line of business of NLC Mutual, each member pool has a separate equity account that is comprised of the member's contributed surplus and member equity. Contributed surplus requirements are determined as specified in NLC Mutual's by-laws.

Each NLC Mutual member's equity account may be credited each year with the member's proportionate share of realized investment income earned by NLC Mutual during the prior fiscal year based on the total of all members' equity accounts at NLC Mutual's discretion. Further, each member's equity account may also be credited (or debited) from time to time based on NLC Mutual's financial condition, underwriting results, reserve adjustments, and such other factors as NLC Mutual may reasonably consider in order to achieve fair and equitable results for NLC Mutual.

At the sole discretion of each NLC Mutual pool member, an election may be made to withdraw its total equity from any line of business reinsured by giving written notice to NLC Mutual. The effective date upon which such equity may be withdrawn shall be determined by the withdrawing member based on a distribution election of no sooner than two years at 20% of equity and no longer than ten years at 100% of equity. This distribution of equity also requires the approval of NLC Mutual's Board of Directors and the State of Vermont Department of Banking, Insurance, Securities and Health Care Administration.

Effective December 31, 2006, the Pool withdrew from the property and casualty coverages of NLC Mutual. During 2009, the Pool rescinded its withdrawal notice to NLC Mutual. The Pool made no capital contributions to NLC Mutual related to casualty or property coverages in 2014 and 2013. As of December 31, 2014 and 2013, the Pool's equity balance was \$884,524 and \$842,003.

Note 7 - Member Contributions

Renewal, loss control, loss ratio and law enforcement credits are reported as a reduction of member contributions earned in the year in which the member renews. Total member contribution credits for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Renewal Credits		
Casualty	\$ 22,064	\$ 27,904
Property	38,614	46,211
Loss Control Credits		
Casualty	162,398	164,082
Property	276,230	262,247
Loss Ratio Credits		
Casualty	153,143	164,779
Property	309,636	263,490
Law Enforcement Credits		
Casualty	47,145	43,872
Total Credits	\$ 1,009,230	\$ 972,585

Note 8 - Commitments

The Pool incurs operating expenses under various short and long-term contractual agreements. The future minimum payments under contractual agreements are as follows:

Years Ending December 31,	Amount
2015	\$ 745,257
2016	658,161
2017	671,323
2018	30,133
2019	2,515

Note 9 - Related Party Transactions

The South Dakota Municipal League (SDML) is the endorsing organization of the Pool and related party. The following summarizes related party activity for years ending December 31, 2014 and 2013, respectively:

	<u>2014</u>	<u>2013</u>
Salaries and benefits	\$ 509,942	\$ 214,442
Support services	100,000	47,800
Endorsement fees	<u>57,600</u>	<u>53,750</u>
	<u>\$ 667,542</u>	<u>\$ 315,992</u>



Supplementary Information
**South Dakota Public Assurance
Alliance**



Independent Auditor's Report on Supplementary Information

To the Board of Directors
South Dakota Public Assurance Alliance
Fort Pierre, South Dakota

We have audited the financial statements of South Dakota Public Assurance Alliance as of and for the years ended December 31, 2014 and 2013, and our report thereon dated May 11, 2015, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 25 through 26 are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Eide Bailly LLP

Fargo, North Dakota
May 11, 2015

	<u>*2005</u>	<u>*2006</u>	<u>*2007</u>	<u>*2008</u>	<u>*2009</u>
Net Earned Member Contributions and Investment Income					
Earned	\$ 5,566,726	\$ 5,598,882	\$ 6,744,025	\$ 6,711,349	\$ 6,792,795
Ceded	637,369	732,588	935,998	916,388	877,199
Net earned	<u>4,929,357</u>	<u>4,866,294</u>	<u>5,808,027</u>	<u>5,794,961</u>	<u>5,915,596</u>
Unallocated Expenses	<u>1,068,062</u>	<u>1,165,105</u>	<u>1,273,123</u>	<u>1,246,186</u>	<u>1,322,324</u>
Estimated Claims and Expenses, End of Policy Year					
Incurred	4,835,473	4,323,271	4,429,774	4,544,518	4,733,329
Ceded	-	-	-	-	-
Net incurred	<u>4,835,473</u>	<u>4,323,271</u>	<u>4,429,774</u>	<u>4,544,518</u>	<u>4,733,329</u>
Net Paid (Cumulative) as of:					
End of policy year	861,770	823,766	1,004,961	1,139,743	1,268,325
One year later	1,449,117	1,277,056	1,910,876	1,603,952	2,079,245
Two years later	1,712,797	1,582,727	2,781,017	2,174,212	2,311,501
Three years later	2,001,130	1,807,209	3,033,426	2,999,207	3,524,990
Four years later	2,539,951	2,436,056	3,278,206	3,278,319	4,135,452
Five years later	2,603,533	2,182,435	3,791,956	3,317,509	4,302,985
Six years later	2,377,019	2,244,312	3,833,733	3,597,820	-
Seven years later	2,404,013	2,331,393	3,964,880	-	-
Eight years later	2,442,155	2,432,397	-	-	-
Nine years later	2,485,864	-	-	-	-
Reestimated Ceded Claims and Expenses	330,000	-	390,930	75,000	-
Reestimated Net Incurred Claims and Expenses					
End of policy year	4,835,473	4,323,371	4,429,774	4,544,518	4,733,329
One year later	4,318,049	3,560,032	4,466,672	4,199,544	4,302,171
Two years later	3,380,071	2,788,569	5,185,031	4,511,014	4,263,000
Three years later	2,799,933	3,151,757	4,806,668	4,089,000	4,638,000
Four years later	2,939,568	3,014,826	4,758,000	4,061,043	4,661,512
Five years later	2,889,341	2,435,777	4,554,100	3,965,000	4,426,358
Six years later	2,531,301	2,380,383	4,140,371	3,663,412	-
Seven years later	2,537,776	2,398,382	4,015,982	-	-
Eight years later	2,482,555	2,432,397	-	-	-
Nine years later	2,551,015	-	-	-	-
Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year	(2,284,458)	(1,890,974)	(413,792)	(881,106)	(306,971)

* Amounts related to 2009 and prior years were derived from amounts presented in audited financial statements from the Pool's previous auditors, and such information has not been modified in this table.

South Dakota Public Assurance Alliance
Schedule of Claims Development Information – Casualty
For the Ten Years Ended December 31, 2014

2010	2011	2012	2013	2014
\$ 6,668,381	\$ 6,796,098	\$ 6,556,760	\$ 6,585,671	\$ 7,246,098
887,306	877,692	876,308	867,672	650,386
<u>5,781,075</u>	<u>5,918,406</u>	<u>5,680,452</u>	<u>5,717,999</u>	<u>6,595,712</u>
<u>1,144,251</u>	<u>1,191,760</u>	<u>1,201,561</u>	<u>1,310,711</u>	<u>1,537,387</u>
4,572,530	6,132,104	4,693,683	2,778,717	4,757,000
-	-	-	-	-
<u>4,572,530</u>	<u>6,132,104</u>	<u>4,693,683</u>	<u>2,778,717</u>	<u>4,757,000</u>
959,851	666,347	411,666	528,191	690,369
1,959,028	1,463,227	710,959	1,063,843	-
2,485,549	1,652,851	1,087,257	-	-
3,367,714	1,916,892	-	-	-
3,881,664	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,572,530	6,132,104	4,693,683	2,778,717	2,384,234
4,351,000	3,736,000	2,821,044	2,869,114	-
4,589,000	2,943,000	1,340,249	-	-
5,242,065	2,376,517	-	-	-
5,183,610	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
611,080	(3,755,587)	(3,353,434)	90,397	-

	*2005	*2006	*2007	*2008	*2009
Net Earned Member Contributions and Investment Income					
Earned	\$ 2,754,020	\$ 3,125,832	\$ 3,032,380	\$ 2,903,096	\$ 2,879,123
Ceded	771,872	497,955	548,020	459,297	455,792
Net earned	1,982,148	2,627,877	2,484,360	2,443,799	2,423,331
Unallocated Expenses	565,369	572,380	656,029	611,229	666,432
Estimated Claims and Expenses, End of Policy Year					
Incurred	1,455,634	1,750,821	1,948,882	2,175,059	1,456,943
Ceded	362,367	719,569	428,876	-	-
Net incurred	1,093,267	1,031,252	1,520,006	2,175,059	1,456,943
Net Paid (Cumulative) as of:					
End of policy year	704,946	738,241	1,282,494	1,562,896	813,109
One year later	1,103,923	926,907	1,545,693	1,975,167	1,087,218
Two years later	1,108,535	911,835	1,536,513	1,874,415	993,819
Three years later	1,112,467	911,661	1,538,983	1,797,241	1,000,573
Four years later	1,129,208	911,080	1,358,415	1,803,426	1,000,644
Five years later	1,111,607	800,564	1,358,415	1,803,482	1,000,644
Six years later	960,221	800,670	1,358,415	1,802,880	-
Seven years later	959,012	800,486	1,358,415	-	-
Eight years later	958,608	800,704	-	-	-
Nine years later	956,949	-	-	-	-
Reestimated Ceded Claims and Expenses	92,131	1,800,000	174,729	-	-
Reestimated Net Incurred Claims and Expenses					
End of policy year	1,093,267	1,031,252	1,520,006	2,175,059	1,456,943
One year later	1,150,800	974,124	1,583,185	2,086,828	1,216,535
Two years later	1,128,045	911,835	1,536,815	2,044,404	1,028,322
Three years later	1,115,555	911,662	1,541,983	1,861,421	1,004,261
Four years later	1,135,256	911,080	1,358,415	1,804,983	1,000,644
Five years later	1,117,466	804,078	1,358,415	1,803,482	1,000,644
Six years later	968,266	804,078	1,358,415	1,804,027	-
Seven years later	963,886	803,355	1,358,415	-	-
Eight years later	963,324	804,679	-	-	-
Nine years later	960,886	-	-	-	-
Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year					
	(132,381)	(226,573)	(161,591)	(371,032)	(456,299)

* Amounts related to 2009 and prior years were derived from amounts presented in audited financial statements from the Pool's previous auditors, and such information has not been modified in this table.

South Dakota Public Assurance Alliance
 Schedule of Claims Development Information – Property
 For the Ten Years Ended December 31, 2014

2010	2011	2012	2013	2014
\$ 3,295,427	\$ 3,697,628	3,721,604	\$ 3,964,841	\$ 4,479,187
476,679	498,538	656,742	820,287	988,548
2,818,748	3,199,090	3,064,862	3,144,554	3,490,639
590,760	641,663	699,866	823,925	1,011,447
1,675,317	1,295,791	1,862,758	1,243,414	1,356,676
-	-	-	-	-
1,675,317	1,295,791	1,862,758	1,243,414	1,356,676
1,179,775	737,072	977,647	917,908	821,433
1,362,496	1,171,941	1,432,013	2,062,292	-
1,373,126	1,185,797	1,448,588	-	-
1,373,807	1,500,177	-	-	-
1,374,383	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,675,317	1,295,791	1,862,758	1,243,414	1,190,363
1,427,150	1,692,646	1,466,281	2,349,000	-
1,383,000	1,646,894	1,448,588	-	-
1,381,000	1,519,796	-	-	-
1,378,305	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(297,012)	224,005	(414,170)	1,105,586	-