STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM

JUNE 30, 2009 AND 2008

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SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
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Casey, Neilon & Associates, LLC
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of the
Public Employees' Benefits Program

We have audited the accompanying financial statements of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada as of and for the years ended June 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2009 and 2008, and the changes in its financial position and cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada as of June 30, 2009 and 2008, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Casey, Nelson & Associates, LLC

Carson City, Nevada
November 2, 2009

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,441,765	$ 94,325,798
Collateral on loaned securities	-	26,508,050
Receivables:		
Accounts receivable	2,354,629	1,789,955
Intergovernmental receivable	4,551,436	4,116,210
Due from other funds	2,669,518	1,103,125
Due from component units, net	1,699,168	3,731,666
Total Current Assets	98,716,516	131,574,804
Noncurrent assets:		
Receivables:		
Accounts receivable	19,726	46,445
Intergovernmental receivable	-	1,238,326
Due from other funds	1,998,033	4,704,414
Due from component units	1,070,276	3,105,337
	3,088,035	9,094,522
Capital assets:		
Property and equipment	433,902	410,636
Less: Accumulated depreciation	(363,351)	(339,399)
Total Capital Assets (net of accumulated depreciation)	70,551	71,237
Total Non Current Assets	3,158,586	9,165,759
Total Assets	101,875,102	140,740,563
LIABILITIES		
Current liabilities:		
Bank overdraft	6,956,243	6,810,285
Accounts payable	6,514,784	3,943,201
Accrued payroll and related liabilities	92,017	76,582
Obligations under securities lending	-	26,508,050
Due to other funds	724,915	28,771
Unearned revenue	13,610	192,991
Compensated absences	86,780	72,653
Total Current Liabilities	14,388,349	37,632,533
Noncurrent liabilities:		
Reserve for losses	35,881,000	32,634,000
Compensated absences	38,613	32,549
Total Noncurrent Liabilities	35,919,613	32,666,549
Total Liabilities	50,307,962	70,299,082
NET ASSETS		
Invested in capital assets	70,551	71,237
Restricted for losses	51,496,589	70,370,244
Unrestricted	-	-
Total Net Assets	$ 51,567,140	$ 70,441,481

See accompanying notes.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Insurance premiums	$ 315,242,605	$ 276,309,025
Other	3,513,725	2,850,096
Total Operating Revenues	318,756,330	279,159,121
OPERATING EXPENSES:		
Salaries and benefits	2,304,365	2,144,081
Operating	2,712,582	2,799,922
Claims expense	238,691,260	206,928,634
Depreciation	30,156	32,238
Insurance premiums and contractual obligations	93,582,739	79,033,566
Total Operating Expenses	337,321,102	290,938,441
Operating Income	(18,564,772)	(11,779,320)
NONOPERATING REVENUES (EXPENSES):		
Interest and investment income	-	4,638,216
Interest expense	(309,569)	(1,274,876)
Total Nonoperating Revenues	(309,569)	3,363,340
Change in Net Assets	(18,874,341)	(8,415,980)
Net Assets, July 1	70,441,481	78,857,461
Net Assets, June 30	$ 51,567,140	$ 70,441,481

See accompanying notes.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$ 89,172,035	$ 54,818,223
Receipts for interfund services provided	157,689,406	150,720,286
Receipts from component units	76,409,118	67,172,821
Payments to suppliers, other governments and beneficiaries	(327,286,492)	(276,432,038)
Payments to employees	(2,347,206)	(2,028,588)
Payments for interfund services used	(681,792)	(1,085,970)
Net Cash Provided (Used) by Operating Activities	(7,044,931)	(6,835,266)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(29,470)	(44,108)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest / dividends on investments	190,368	3,541,647
Net Increase (Decrease) in Cash and Cash Equivalents	(6,884,033)	(3,337,727)
Cash and cash equivalents, July 1	94,325,798	97,663,525
Cash and cash equivalents, June 30	$ 87,441,765	$ 94,325,798
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (18,564,772)	$ (11,779,320)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,156	32,238
Allowance for doubtful accounts	523,412	53,960
Changes in assets and liabilities:		
(Increase) decrease in receivables	4,499,280	(4,994,868)
(Increase) decrease in deferred charges and other assets	-	-
Increase (decrease) in payables and accruals	6,466,993	9,852,724
Total Adjustments	11,519,841	4,944,054
Net Cash Provided (Used) by Operating Activities	$ (7,044,931)	$ (6,835,266)

See accompanying notes.

NOTE 1 - Summary of Significant Accounting Policies:

The financial statements of the Self Insurance Trust Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Self Insurance Trust Fund") have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Self Insurance Trust Fund's significant accounting policies applied in the preparation of the accompanying financial statements is presented below.

Plan Description:

The Self Insurance Trust Fund was created in 1983 by the Nevada Legislature to administer group health, life and disability insurance for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. All public employers in the State are eligible to participate in the activities of the Self Insurance Trust Fund and currently, in addition to the State, there are fourteen public employers whose employees are covered under the plan. Additionally, all retirees of public employers contracted with PEBP to provide coverage to their active employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, 125 public employers are billed for retiree subsidies. The Self Insurance Trust Fund provides medical, dental, vision, accidental death and dismemberment, travel accident, long-term disability, mental health, substance abuse, and life insurance benefits. The Self Insurance Trust Fund is overseen by the Public Employees' Benefits Program Board. The Board is composed of nine members, eight members appointed by the Governor, and the Director of the Department of Administration or his designee.

The Self Insurance Trust Fund is self-insured for medical, dental, vision, mental health and substance abuse benefits and also offers fully insured HMO products. Accidental death and dismemberment, travel accident, long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, rate-setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

Reporting Entity:

Governmental accounting and financial reporting principles require that basic financial statements be presented for governmental entities which present financial statements in accordance with generally accepted accounting principles. The accompanying financial statements are not intended to present the combined financial activities of the State of Nevada taken as a whole, but are intended only to present the financial position, results of operations, and cash flows of the Self Insurance Trust Fund.

Fund Accounting:

The operations of the Self Insurance Trust Fund, a proprietary fund (internal service fund), are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The Self Insurance Trust Fund is used to account for the services provided to the employees of the State of Nevada and other governmental units under the programs administered by management.

NOTE 1 - Summary of Significant Accounting Policies (Continued):

Basis of Accounting:

The Self Insurance Trust Fund maintains its accounting records on the accrual basis of accounting as defined by the Governmental Accounting Standards Board ("GASB"). Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred regardless of the timing of cash flows. The Self Insurance Trust Fund applies all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") statements and interpretations, APB opinions, and ARB's (unless those pronouncements conflict with or contradict GASB pronouncements) issued on or before November 30, 1989, in accounting and reporting for its proprietary operations. As permitted by GASB Statement No. 20 the State has elected not to apply FASB pronouncements issued after that date.

The Self Insurance Trust Fund is reported using the economic resources measurement focus. The revenues derived from current operations are generally intended to provide those resources necessary to maintain continued delivery of such services in the future. Net assets greater or lesser than those required to support ongoing operations are moderated by adjustments of future charge rates appropriate to accomplish the long-term cost recovery objectives of the Self Insurance Trust Fund.

Internal Service Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with providing group health, life and disability insurance. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash Equivalents:

For the purpose of presentation in the Self Insurance Trust Fund's financial statements, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

Receivables:

Insurance premiums due through June 30 but remitted after that date are recorded as receivables or due from other funds, component units or governments in the financial statements. The third party administrator that processes claims payments on behalf of the Self Insurance Trust Fund has identified overpayments in the amount of $1,109,520 and $1,034,992 as of June 30, 2009 and 2008, respectively. Overpayments are followed up on every 30 days until recovery is made. These amounts have not been accrued as a receivable on the statement of net assets, but are recorded as a reduction to claims expense in the period in which recovery is received.

The Self Insurance Trust Fund administers an additional pass-through budget account, the Active Employee Group Insurance Subsidy (AEGIS) budget account. The AEGIS budget account is utilized for recording the payments made by the state and received by Self Insurance Trust Fund on behalf of active employees. Agencies contribute a fixed dollar amount per employee into this budget account; however, insurance premiums are earned by the main operating budget account in accordance with the number of covered employees multiplied by the PEBP approved rate for insurance coverage. The difference between cash contributions and revenue recognition resulted in a shortfall of contributions over premium allocations of $6,176,069 for the year ended June 30, 2009. This receivable has been allocated among all state entities

NOTE 1 - Summary of Significant Accounting Policies (Continued):

that pay the AEGIS subsidy proportionately to their size and has been included in the fiscal year 2010 and 2011 budget. $3,088,035 has been classified as non-current assets as it is expected to be received in 2011.

Allowance for Doubtful Accounts:

The Self Insurance Trust Fund considers $523,412 and $53,960 in participant premiums, employer subsidies and late payment penalties to be uncollectible as of June 30, 2009 and 2008. On June 30, 2009, the Self Insurance Trust Fund entered into a settlement with the Las Vegas Metropolitan Police Department (LVMPD). LVMPD agreed to pay $125,000 out of $581,655 in past due subsidies and penalties and to continue to pay all current subsidies and SITF agreed to write-off the remaining balance of $456,655. LVMPD has paid all subsequent bills on time. In April, 2009, it was determined that certain volunteer firefighters are ineligible for PEBP coverage. Therefore $44,184 in subsidies charged to employers from August 2007 through August 2008 for ineligible volunteer firefighters was deemed to be uncollectible. The remaining uncollectible balance was for participant premiums and was approved for write-off by the State of Nevada Board of Examiners. All other receivables are considered to be collectible.

Property and Equipment:

Fixed assets are capitalized and depreciated using the straight line method of depreciation over the assets' estimated useful lives ranging from three to ten years. Capital acquisitions for the years ended June 30, 2009 and 2008 were $29,470 and $44,108, respectively.

Estimated Claims:

The Self Insurance Trust Fund contracted with Aon Consulting, a provider of consulting and actuarial services, to estimate its liability for incurred but not reported claims, claims reported but not yet paid and administrative expenses expected to be incurred in conjunction with processing incurred but not reported claims as of June 30, 2009 and 2008, respectively. This liability is estimated by the actuary based on industry trends and claims lag information reported by the third party administrator. Such liabilities are necessarily based on estimates, and, while management believes the amount is adequate, the ultimate liability may be in excess of, or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are reviewed on an annual basis and any adjustments are currently reflected in net income from operations.

Compensated Absences:

Compensated absences are accounted for in accordance with GASB Statement No. 16, Accounting for Compensated Absences, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Annual and sick leave benefits not used as earned accumulate to be carried over to the next year, except that annual leave in excess of 240 hours (30 days) per employee is forfeited each December 31. Accumulated annual leave and compensatory time are payable upon termination, retirement, or death. Unused sick leave may be partially compensated at that time according to formulas established by the Department of Personnel. The Self Insurance Trust Fund reports accrued compensated absences as a liability.

NOTE 1 - Summary of Significant Accounting Policies (Continued):

Net Assets:

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. In the current year, management determined that all of the net assets at year end should be restricted for future claims payments due to legal restrictions on the use of the funds.

Reinsurance:

The Self Insurance Trust Fund does not carry any reinsurance policies.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and the 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.

NOTE 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code:

The Self Insurance Trust Fund conformed to all significant statutory constraints on its financial administration during the year.

NOTE 3 - Cash and Deposits with the State Treasurer as of June 30:

	2009	2008
Cash:		
Operating checking account:		
Bank of America	$ (6,956,243)	$ (6,810,285)
Deposits with State Treasurer:		
State Treasurer's Investment Pool	88,757,871	93,951,387
GASB 31 adjustment	(1,316,106)	374,411
	87,441,765	94,325,798
Total Cash and Deposits	$ 80,485,522	$ 87,515,513

The Self Insurance Trust Fund has two checking accounts with Bank of America. The zero balance account was closed on April 30, 2006 and contains $279,145 in stale outstanding checks. Checks presented for payment from this account are rejected by the bank, voided, and reissued by SITF using the controlled disbursement account. The controlled disbursement account is funded only when checks are presented for payment. The negative balance represents outstanding checks issued that have not been presented for payment. In accordance with NRS 353.140, the Self Insurance Trust Fund honors outstanding stale warrants presented for payment within six years from the date of origination. For insurance and collateral purposes, the account is commingled with all of the cash accounts of the State of Nevada. All cash and deposits are recorded at fair value.

NOTE 4 - Pension Plan:

Plan Description. The Self Insurance Trust Fund contributes to the Public Employees' Retirement System of the State of Nevada (PERS), a cost sharing, multiple employer, defined benefit plan administered by the Public Employees' Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. A publicly available financial report that includes financial statements and required supplementary information for PERS may be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy. Plan members' benefits are funded under one of two methods. Under the employer paid contribution plan, the Self Insurance Trust Fund is required to contribute all amounts due under the plan. The rate for those contributions was 20.50%, 20.50% and 19.75% for regular members on all covered payroll for the years ended June 30, 2009, 2008 and 2007, respectively. The second funding mechanism for providing benefits is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the plan, while the Self Insurance Trust Fund is required to match that contribution. The rate for regular employees under this plan was 10.5% for the years ended June 30, 2009, 2008 and 2007, respectively. The contribution requirements of plan members and the Self Insurance Trust Fund are established by NRS Chapter 286. The funding mechanism may only be amended through legislation. The Self Insurance Trust Fund's contributions to PERS for the years ended June 30, 2009, 2008 and 2007 were $254,124, $230,771 and $217,129, respectively, equal to the required contributions for the year.

NOTE 5 - Post-Retirement Insurance Benefits:

Employees of the State, who meet the eligibility requirements for retirement, have the option upon retirement to continue group insurance pursuant to NAC 287.530. NRS 287.046 requires the State to pay an amount toward the cost of the premiums for persons retired from state service. Retirees assume any portion of the premium not covered by the State. The State allocates funds for payment of post retirement insurance benefits as a percentage of budgeted payroll to all State agencies. The cost of the employer contribution is recognized in the year the costs are charged. No unused funds are carried forward to the next fiscal year.

NOTE 6 - Commitments:

The Self Insurance Trust Fund is committed to the following contracts or policies at June 30, 2009:

Contractor	Contract Rate	Expiration Date
American International Group	$0.19 per employee per month	6/30/10
Aon Consulting	Hourly Rate	6/30/12
APS Healthcare	$4.89 per PPO participant per month	6/30/11
Beech Street Corporation	$2.50 per out-of-state participant per month	6/30/12
	$17,333 monthly fee	
Capital Reporters	Hourly Rate	5/31/11
Casey, Neilon & Associates, LLC	Hourly Rate	12/31/11
Catalyst RX	$2.30 per PPO participant per month	6/30/11
Diversified Dental Services	$0.67 per participant per month	6/30/13
First Data Government Solutions	$0.11 per credit card transaction	11/30/09

NOTE 6 - Commitments (Continued):

Health Claims Auditors	$24,900 per quarterly audit of TPA $18,400 per annual audit of PBM	9/30/10
Health Plan of Nevada (HMO)	Varies	6/30/12
Hometown Health Partners (HMO)	Varies	6/30/12
Hometown Health Partners	$4.00 per PPO participant per month	6/30/10
Hughes-Calihan Konica Minolta, Inc.	$0.0045 per copy $921.00 monthly fee	11/20/12
Morneau Sobeco	$2.21 per participant per month	12/31/12
The Standard Insurance	$20.71 per employee $6.24 per retiree	6/30/12
UMR (Fiserv Health Benefit Planners)	$13.65 per PPO participant per month $1.90 per participant per month Repricing fee varies	6/30/12

NOTE 7 - Risk Management:

Estimated Claims Liabilities:

The management of the Self Insurance Trust Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Typically, after consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

Table of Unpaid Claims Liabilities:

As discussed above, management established a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following presents changes in those aggregate liabilities for the Self Insurance Trust Fund during the past two years.

	2009	2008
Beginning balance	$ 32,634,000	$ 25,082,000
Claims and changes in estimates	240,715,757	209,027,871
Claim payments	(237,468,757)	(201,475,871)
Ending Balance	$ 35,881,000	$ 32,634,000

These unpaid claims liabilities are all for the self-funded medical, dental, vision and prescription drug benefits.

NOTE 8 - Securities Lending Transactions:

NRS 355.135 authorizes the State Treasurer to participate in securities lending transactions, where the State's U.S. Government securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year-end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis.

Securities on loan as of June 30, 2008 for cash collateral are unclassified as to custodial credit risk. At June 30, 2008, the State has no credit risk exposure to borrowers because the amount the State owes to borrowers exceeds the amounts the borrowers owe to the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. The contract with the securities lending agent requires it to indemnify the State for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses. This program ended and was not continued for fiscal year 2009.

There are no restrictions on the amount of securities that can be loaned. Either the State or the borrower can terminate all open securities loans on demand. All term securities loans can be terminated with five days notice by either the State or the borrower. Cash collateral is invested in accordance with the investment guidelines approved by the Board of Finance. The maturities of the investments made with cash collateral generally match the maturities of the securities loans.

For purposes of valuing the underlying securities invested in the collateral investment pool, they are commingled with all of the securities invested by the State. Securities loaned consist of U.S. Government securities. The collateral received consists of cash, commercial paper, repurchase agreements, asset backed securities, negotiable CDs and fixed income securities. The total collateral received is in excess of the fair value of the investments held by brokers/dealers under the securities lending agreement. Costs related to securities lending transactions are included as interest expense for the Self Insurance Trust Fund.

The fair value of the underlying securities at June 30, 2009 and 2008 is as follows:

	2009	2008
Self Insurance Trust Fund Participation in State Treasurer's Securities Lending Pool	$ -	$ 26,291,410

NOTE 9 - Contingent Liabilities:

In accordance with NRS 353.140, the Self Insurance Trust Fund honors outstanding stale warrants presented for payment within six years from the date of origination. Management has estimated the total amount of outstanding stale warrants less than six years old to be $956,200 and $775,500 as of June 30, 2009 and June 30, 2008, respectively. Management has assessed that it is not probable that these warrants will be presented for payment during the statutory time frame. However these warrants will continue to be recorded as a liability (bank overdraft).

NOTE 10 - Subsequent Events:

The Self Insurance Trust Fund considers $27,610 in participant premiums to be uncollectible for fiscal year 2010. The State of Nevada Board of Examiners has approved write-offs in the amount of $16,463 and management will submit additional write-off requests for the remaining balance.