

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

YEARS ENDED JUNE 30, 2021 AND 2020



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**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
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INDEPENDENT AUDITORS' REPORT

Board of the Public Employees' Benefits Program
State of Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada, as of June 30, 2021, and the related notes to the financial statements, which collectively comprise the Self Insurance Trust Fund, Public Employees' Benefit Program of the State of Nevada's basic financial statements as listed in the table of contents.

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.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 auditors' 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.

Board of the Public Employees' Benefits Program
State of Nevada
Self Insurance Trust Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada as of June 30, 2021, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Correction of Error

As discussed in Note 10 to the financial statements, the entity has restated net position, premium revenue, and accounts receivable. These adjustments were recorded as of July 1, 2020 and for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

Reporting Entity

As discussed in Note 1, the financial statements of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada are intended to present the net position, and changes in net position of the program. They do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2021, and the changes in its net position, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Pension Liability, Schedule of the Fund's proportionate share of the Net OPEB Liability, and Related Ratios and the Schedule of Contributions on pages 24-27 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Board of the Public Employees' Benefits Program
State of Nevada
Self Insurance Trust Fund

Comparative Financial Statements

The financial statements of Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada as of June 30, 2020, were audited by other auditors whose report dated November 16, 2020, expressed an unmodified opinion on those financial statements. As discussed in Note 10 to the financial statements, the Company has adjusted its June 30, 2021 financial statements to correct an error in accounting for premium receivables and revenues not correctly reported as of June 30, 2020. The other auditors reported on the financial statements before the correction.

As part of our audit of the 2021 financial statements, we also audited the adjustments to the 2020 financial statements to correct the error described above in accounting as described in Note 10. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's 2020 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our February 22, 2022, on our consideration of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, CO
February 22, 2022

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020 (Restated)</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 158,708,980	\$ 159,637,188
Prepaid Insurance	3,519	3,202
Receivables		
Accounts Receivables, Net	8,239,150	6,055,621
Intergovernmental Receivable	4,854,166	1,379,196
Due From Other Funds	445,439	1,441,984
Due From Fiduciary Funds	12,100,467	11,699,729
Due From Component, Units, Net	37,153	4,567
Total Current Assets	<u>184,388,874</u>	<u>180,221,487</u>
CAPITAL ASSETS		
Property and Equipment	268,533	461,025
Less Accumulated Depreciation	<u>(257,895)</u>	<u>(435,940)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>10,638</u>	<u>25,085</u>
Total Assets	<u>184,399,512</u>	<u>180,246,572</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	560,665	663,273
OPEB Related Amounts	<u>162,413</u>	<u>69,742</u>
Total Deferred Outflows of Resources	<u>723,078</u>	<u>733,015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank Overdraft	2,210,420	3,428,332
Accounts Payable	1,579,156	1,409,272
Accrued Payroll and Related Benefits	101,608	98,393
Due to Other Funds	54,100	20,435
Unearned Revenue	3,483,494	3,489,755
Compensated Absences	183,415	156,804
Reserve for Losses	83,584,731	89,702,313
Total Current Liabilities	<u>91,196,924</u>	<u>98,305,304</u>
NONCURRENT LIABILITIES		
Compensated Absences	67,169	38,259
Net Pension Liability	3,537,451	3,833,649
Net OPEB Liability	1,405,629	1,301,204
Total Noncurrent Liabilities	<u>5,010,249</u>	<u>5,173,112</u>
Total Liabilities	<u>96,207,173</u>	<u>103,478,416</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	216,072	362,280
OPEB Related Amounts	<u>99,825</u>	<u>79,050</u>
Total Deferred Inflows of Resources	<u>315,897</u>	<u>441,330</u>
NET POSITION		
Investment in Capital Assets	10,638	25,085
Restricted Expendable - Losses	88,588,882	77,034,756
Total Net Position (Restated)	<u>\$ 88,599,520</u>	<u>\$ 77,059,841</u>

See accompanying Notes to Financial Statements.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020 (Restated)</u>
OPERATING REVENUES		
Insurance Premiums	\$ 371,045,254	\$ 383,589,858
Other	3,683	5,520
Total Operating Revenues	<u>371,048,937</u>	<u>383,595,378</u>
OPERATING EXPENSES		
Salaries and Benefits	2,161,431	2,793,277
Operating	3,073,204	2,356,630
Claims Expense	300,583,601	303,888,916
Depreciation	14,447	40,542
Insurance Premiums and Contractual Obligations	<u>62,625,892</u>	<u>59,748,805</u>
Total Operating Expenses	<u>368,458,575</u>	<u>368,828,170</u>
OPERATING INCOME (LOSS)	2,590,362	14,767,208
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental Revenue	9,467,584	408,891
Investment Income (Expense)	(1,341,413)	1,407,557
Interest Income (Expense)	<u>823,146</u>	<u>2,343,660</u>
Total Nonoperating Revenues	<u>8,949,317</u>	<u>4,160,108</u>
Income Before Transfers	11,539,679	18,927,316
CHANGE IN NET POSITION	11,539,679	18,927,316
Net Position - Beginning of Year (Restated for 2021)	<u>77,059,841</u>	<u>58,132,525</u>
NET POSITION - END OF YEAR	<u><u>\$ 88,599,520</u></u>	<u><u>\$ 77,059,841</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020 (Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers and Users	\$ 269,103,073	\$ 297,335,333
Receipts From Component Units	99,723,488	85,972,472
Payments to Suppliers, Other Governments and Beneficiaries	(373,438,687)	(381,262,135)
Payments to Employees	(2,419,901)	(2,592,613)
Net Cash Provided (Used) by Operating Activities	<u>(7,032,027)</u>	<u>(546,943)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants Received	5,992,614	-
Change in Due From Other Funds	629,472	-
Net Cash Provided (Used) by Non-Capital and Financing Activities	<u>6,622,086</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	-	(10,678)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(10,678)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	(518,267)	4,286,191
Net Cash Provided (Used) by Investing Activities	<u>(518,267)</u>	<u>4,286,191</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(928,208)	3,728,570
CASH - BEGINNING OF YEAR	<u>159,637,188</u>	<u>155,908,618</u>
CASH - END OF YEAR	<u><u>\$ 158,708,980</u></u>	<u><u>\$ 159,637,188</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	<u>2,590,362</u>	<u>14,767,208</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	14,447	40,542
Allowance for Doubtful Accounts	(107,470)	3,595
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables	(2,108,645)	(6,935,464)
(Increase) Decrease in Prepaid Expenses	(317)	409
(Increase) Decrease in Deferred Outflows - Pension	102,608	(21,449)
(Increase) Decrease in Deferred Outflows - OPEB	(92,671)	(25,474)
Increase (Decrease) in Payables and Accruals	(7,106,874)	(8,462,288)
Increase (Decrease) in Unearned Revenue	(6,261)	(173,143)
Increase (Decrease) in Net Pension Obligation	(296,198)	286,410
Increase (Decrease) in Net OPEB Liability	104,425	(116,303)
Increase (Decrease) in Deferred Inflows - Pension	(146,208)	105,011
Increase (Decrease) in Deferred Inflows - OPEB	20,775	(15,997)
Total Adjustments	<u>(9,622,389)</u>	<u>(15,314,151)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (7,032,027)</u></u>	<u><u>\$ (546,943)</u></u>

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 were four public employers participating at June 30, 2021 whose employees are covered under the plan. Additionally, all retirees of public employers contracted with PEBP to provide coverage to their 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, the State, the Nevada System of Higher Education and 165 public employers within the State of Nevada are billed for retiree subsidies. The Self Insurance Trust Fund provides medical, dental, vision, 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 ten members, nine members appointed by the Governor, and the Director of the Department of Administration or their 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. 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.

PEBP has instituted a Consumer Driven Health Plan (CDHP) with Health Savings Account (HSA) and Health Reimbursement Account (HRA) components. The HSA component is designed for eligible active employee's where the HRA component is for retirees and surviving spouses, domestic partners and certain employees enrolled in the CDHP.

PEBP has also implemented an individual market Medicare exchange where retirees eligible for Medicare purchase individual coverage on the private market with an HRA component to reimburse retirees for insurance premiums and other out of pocket expenses.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plan Description (Continued)

In fiscal year 2019 PEBP implemented an Exclusive Provider Organization (EPO) plan. The plan is self-insured and employees were eligible to elect this plan as of July 1, 2018.

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 position, revenues, and expenses. The Self Insurance Trust Fund is used to account for the services provided to the employees and retirees of the State of Nevada and other governmental units under the programs administered by management.

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 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 positions 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.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$2,210,420 and \$3,428,332 as of June 30, 2021 and 2020, 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 position, but are recorded as a reduction to claims expense in the period in which recovery is received. Collection attempts cease when the overpayment is greater than 4 years old.

The Self Insurance Trust Fund administers an additional pass-through budget account, the Active Employee Group Insurance Subsidy (AEGIS) budget account. This budget account is utilized for recording the payments made by the state and received by the 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 PEBP approved rate for insurance coverage for the plan and tier to which each employee belonged. The difference between cash contributions and revenue recognition resulted in a surplus of contributions over premiums of \$3,464,250 and \$3,196,058 for the years ended June 30, 2021 and 2020, respectively. These amounts were allocated among all state entities that paid the AEGIS subsidy proportionate to their size and were included in the subsequent year's budget.

The Self Insurance Trust Fund considers \$170,248 and \$277,718 in participant premiums as uncollectible as of June 30, 2021 and 2020, respectively. Pursuant to NRS 353C.220, only accounts that have been approved by the State of Nevada Board of Examiners may be written off. Of the uncollectible premiums listed above, \$-0- and \$-117,792- were approved for write-off by the State of Nevada Board of Examiners as of June 30, 2021 and 2020, respectively. The State has a policy in which all uncollectible amounts are remitted to the State Controller's Office for continued collection attempts and are eventually written off. In accordance with this policy, the Self Insurance Trust Fund created an allowance to account for the remaining uncollectible amounts that have been remitted to the State Controller's Office, but not yet been approved by the State of Nevada Board of Examiners for write off.

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, 2021 and 2020 were \$0 and \$10,678, respectively. Capital dispositions for the years ended June 30, 2021 and 2020 were \$192,491 and \$15,753, respectively.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Claims

The Self Insurance Trust Fund contracted with Aon, 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, 2021 and 2020, 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.

Included in the estimated claims is the liability for the unused portion of the HRA component of the CDHP and the Medicare exchange. The Fund contracted with HealthSCOPE and Willis Towers Watson, respectively, to administer these programs and the liabilities are provided by each.

Compensated Absences

A liability for compensated absences relating to services already rendered and that are not contingent on a specified event is 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 Administration. The Self Insurance Trust Fund reports accrued compensated absences as a liability.

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Post Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program (PEBP) and additions to/deductions PEBP's fiduciary net position have been determined on the same basis as they are reported by PEBP. For this purpose, PEBP recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. Self Insurance Trust Fund has pension and OPEB related deferred outflows that qualify for reporting in this category. Pension and OPEB related deferred outflows of resources are discussed in depth in Note 4 and 5, respectively.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. Self Insurance Trust Fund has pension and OPEB related deferred inflows that qualify for reporting in this category. Pension and OPEB related deferred inflows of resources are discussed in depth in Note 4 and 5, respectively.

Net Position:

Net position presents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the statement of net position. Net position 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 position results 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. Management determined that the net position at year end should be restricted for future claims payments due to legal restrictions on the use of the funds.

Operating and Non-operating Revenues and Expenses

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Contracts representing an exchange transaction are considered operating revenues.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-operating Revenues and Expenses (Continued)

Revenues and expenses are classified as non-operating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as non-operating revenues. Contracts representing non-exchange receipts are treated as non-operating revenues.

Reinsurance

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 the 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.

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.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 CASH AND DEPOSITS

	<u>2021</u>	<u>2020</u>
Bank Overdraft		
Overdraft Accounts	\$ (2,210,420)	\$ (3,428,332)
Deposits with State Treasurer		
State Treasurer's Investment Pool	\$ 158,256,356	\$ 157,843,151
GASB 31 Adjustment	452,624	1,794,037
Total Cash and Deposits with State Treasurer	<u>158,708,980</u>	<u>159,637,188</u>

The Self Insurance Trust Fund has three checking accounts with Wells Fargo Bank at June 30, 2021 and 2020. These accounts contain \$1,082,774 and \$1,171,735 (of the total overdraft accounts balances above) in state outstanding checks for the years ended June 30, 2021 and 2020, respectively. Additionally, certain Bank of America and Wells Fargo Bank zero balance accounts were closed in previous fiscal years. These closed accounts contain \$0 and \$48,637 in state outstanding checks as of June 30, 2021 and 2020, respectively. Checks presented for payment from the closed accounts are rejected by the bank, voided, and reissued by the Self Insurance Trust Fund using the controlled disbursement account. The controlled disbursement account is presented as a liability on the statement of net position and 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 state 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.

Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for the deposits program maintains a 102% pledge collateral for all public deposits.

NRS 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, money market funds whose policies meet the criteria set forth in the statute, United States treasury securities and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements.

A copy of the State of Nevada Comprehensive Annual Financial Report can be obtained online at <https://controller.nv.gov/FinRpts/CAFR/CAFR/>.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 PENSION PLAN

Plan Description.

The Self Insurance Trust Fund contributes to the PERS, a cost sharing, multiple employers, 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 29.25%, 29.25%, and 28.00% for regular members on all covered payroll for the years ended June 30, 2021, 2020, and 2019, 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 15.25%, 15.25%, and 14.50% for the years ended June 30, 2021, 2020 and 2019, respectively. The contribution requirements of plan members and the Self Insurance Trust Fund are established by NRS Chapter 286. The funding may only be amended through legislation. The Self Insurance Trust Fund's contributions to PERS for the years ended June 30, 2021, 2020, and 2019 were \$260,407, \$267,388, and \$270,646, respectively, equal to the required contributions for the year.

Pension Liability

At June 30, 2021 and 2020 the Self Insurance Trust Fund reported a liability of \$3,537,451 and \$3,833,649, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Self Insurance Trust Fund's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2021 and 2020. The Self Insurance Trust Fund's proportionate share is approximately 0.02540% and 0.02811% as of June 30, 2021 and 2020, respectively.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 PENSION PLAN (CONTINUED)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2021 and 2020, the total employer pension expense is (\$82,105) and \$637,076, respectively. Amounts totaling \$260,407 resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. At June 30, 2021 and 2020, the Self Insurance Trust Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 109,906	\$ 45,677	\$ 143,758	\$ 110,577
Change of Assumptions	99,364	-	156,014	-
Net Difference Between Projects and Actual Earnings on Investments	-	133,630	-	190,710
Changes in Proportion and Differences Between Actual Contributions and Proportionate Share of Contributions	90,989	36,765	96,113	60,993
System Contributions Subsequent to the Measurement Date	260,407		267,388	-
Total	<u>\$ 560,666</u>	<u>\$ 216,072</u>	<u>\$ 663,273</u>	<u>\$ 362,280</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contributions subsequent to the measurement date and changes in proportion and differences between actual contributions and proportionate share of contributions, are expected to be recognized in pension expense as follows:

Year Ended June 30	Amount
2022	\$ (157,163)
2023	78,197
2024	90,308
2025	63,183
2026	9,024
2027	637
	<u>\$ 84,186</u>

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 PENSION PLAN (CONTINUED)

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflows and deferred inflows will be recognized over the average expected remaining service lives, which was 6.13 years for the measurement period ending June 30, 2020.

<u>Reconciliation of Net Pension Liability</u>	<u>2021</u>	<u>2020</u>
Beginning Net Pension Liability	\$ 3,833,649	\$ 3,547,239
Pension Expense	(82,105)	637,076
Employer Contributions	(264,674)	(270,646)
Net Deferred (Inflows)/Outflows	50,581	(80,020)
Ending Net Pension Liabilities	<u>\$ 3,537,451</u>	<u>\$ 3,833,649</u>

Actuarial Assumptions

The Fund's net pension liability was measured as of June 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Productivity Pay Increase	0.50%
Projected Salary Increase	Regular: 4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Investment Rate of Return	7.50%
Other Assumptions	Same as those used in the June 30, 2020 funding actuarial valuation

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016.

Investment Policy

The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
U.S. Stocks	42%	5.50%
International Stocks	18%	5.50%
U.S. Bonds	28%	0.75%
Private Markets	12%	6.65%

*As of June 30, 2020, PERs' long-term inflation assumption was 2.75%.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 PENSION PLAN (CONTINUED)

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2020, calculated using the discount rate of 7.50%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability	\$ 5,517,056	\$ 3,537,451	\$ 1,891,556

Pension Plan Fiduciary Net Position

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

NOTE 5 OTHER POST EMPLOYMENT RETIREMENT BENEFITS

Plan Description

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 most 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 payrolls 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.

The Public Employees Benefit Program administers these benefits as a multiple employer cost sharing plan. The State Retirees' Health and Welfare Benefits Trust Fund has been created to provide benefits to retirees and their beneficiaries.

Benefits

The Public Employees Benefit Program provides medical, dental, vision, mental health and substance abuse and also offers fully insured HMO products. Long-term disability and life insurance benefits are fully insured by outside carriers.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Contributions

Per NRS 287 contribution requirements of the participating entities and covered employees are established and may be amended by the PEBP Board. The Fund's contractually required contribution for the years ended June 30, 2021 and 2020 were \$37,136 and \$41,705, respectively, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2021 and 2020, the Fund reported a liability of \$1,405,629 and \$1,301,204, respectively, for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The Fund's proportion of the collective net OPEB liability was based on a projection of the Fund's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. For the year ended June 30, 2021 and 2020, respectively, the Fund's proportion was 0.0938% and 0.0934%.

For the years ended June 30, 2021 and 2020, respectively, the Fund recognized OPEB expense of 81,719 and (\$122,109). At June 30, 2021 and 2020, the Fund Reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 125,277	\$ 28,432	\$ 28,037	\$ 55,581
Changes in Experience	-	71,393	-	23,469
Fund Contributions Subsequent to the Measurement Date	37,136		41,705	-
	<u>\$ 162,413</u>	<u>\$ 99,825</u>	<u>\$ 69,742</u>	<u>\$ 79,050</u>

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
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JUNE 30, 2021 AND 2020**

NOTE 5 OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2022	\$ (3,885)
2023	1,857
2024	3,646
2025	23,835
	<u>\$ 25,452</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Dependent upon pension system ranging from 1.00% to 10.65%, including inflation
Discount Rate	3.51% based on bond buyer general obligation 20-bond municipal bond index
Healthcare Cost Trend Rates	For medical prescription drug benefits the current amount is 6.50% and decreases to 4.50% long-term trend rate after six years. For dental benefits and Part B premiums the trend rate is 4.00% and 4.50% respectively.
Actuarial Method	Entry Age Normal Level % of Pay

Mortality rates were based on the Headcount-weighted RP-2014 Employee table projected to 2020 with Scale MP-2016 for pre-retirement participants, Headcount-weighted RP-2014 Healthy Annuitant table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries for post-retirement participants and Headcount-weighted RP-2014 Disabled Retiree table, set forward four years for disabled participants.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018. As a result of the 2018 actuarial experience study, the expectation of life after disability was adjusted in the January 1, 2018 actuarial valuation to more closely reflect actual experience.

Discount Rate

The discount rate basis under GASB 75 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Discount Rate (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the Retirees' Fund, as well as what the Retirees' Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate:

	1% Decrease in Discount Rate 1.21%	Discount Rate 2.21%	1% Increase in Discount Rate 3.21%
Total OPEB Liability	\$ 1,677,076	\$ 1,399,978	\$ 1,346,802
Plan Fiduciary Net Position	5,651	5,651	5,651
Net OPEB Liability	<u>\$ 1,682,727</u>	<u>\$ 1,405,629</u>	<u>\$ 1,352,453</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the Retirees' Fund, as well as what the Retirees' Fund liability would be if it were using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Health Care Cost	1% Increase in Health Care Cost
Total OPEB Liability	\$ 1,400,818	\$ 1,614,471
Plan Fiduciary Net Position	5,651	5,651
Net OPEB Liability	<u>\$ 1,406,469</u>	<u>\$ 1,620,122</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PEBP financial report.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 COMMITMENTS

The Self Insurance Trust Fund is committed to the following contracts or policies after June 30, 2021:

Contractor	Contract Rate	Expiration Date
American Health Holding, Inc.	Varies by Case Volume	6/30/23
AON Consulting	Hourly Rate	6/30/22
Claim Technologies	Varies by Audit	6/30/27
CliftonLarsonAllen	Hourly Rate	12/31/24
Diversified Dental Services	Per Participant per Month	6/30/21
Express Scripts	Per Participant per Month Admin Fee, Claims Costs	6/30/22
HealthSCOPE Benefits (PPO)	Varies by Service	6/30/22
HealthSCOPE Benefits (TPA)	Varies by Service	6/30/22
HealthSCOPE Dental	Varies by Service	6/30/22
Labyrinth Solutions, Inc.	Per Participant Per Month	6/30/27
Morneau Shepell	Per Participant per Month Fee for Services Rendered	6/30/27
The Standard Insurance	Varies	6/30/22

The above contracts include varying termination provisions that allow termination without cause with notice required between 30 and 180 days prior to the date of termination.

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 and the unused portion of the HRA liability. 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.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 RISK MANAGEMENT (CONTINUED)

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.

Unpaid Claims Liabilities

	2021	2020
<u>Reserve for Claims Balance</u>		
Beginning Balance	\$ 51,514,000	\$ 58,790,000
Claims and Changes in Estimates	271,862,209	258,939,546
Claims Payments	(271,090,209)	(266,215,546)
Ending Balance Reserve for Claims Balance	<u>52,286,000</u>	<u>51,514,000</u>
<u>HRA Liability</u>		
Beginning Balance	\$ 38,188,313	\$ 36,091,428
Incurred	31,850,782	44,596,089
Paid	(38,740,364)	(42,499,204)
Ending Balance HRA Liability	<u>31,298,731</u>	<u>38,188,313</u>
Ending Balance	<u><u>\$ 83,584,731</u></u>	<u><u>\$ 89,702,313</u></u>

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

NOTE 8 CONTINGENCIES

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 \$1,082,979 and \$1,220,372 as of June 30, 2021 and June 30, 2020, 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 as after the statutory six year period the funds will be turned over to the Nevada State Treasurer as unclaimed property.

STATE OF NEVADA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2021. Management has evaluated subsequent events through February 22, 2022, the date which the financial statements were available to be issued.

The Fund is responding to the recent COVID-19 outbreak with a measured, practical response. As of the date of this report, the Fund is able to perform necessary business functions however, the extent of future financial impact and duration cannot be reasonably estimated at this time.

NOTE 10 PRIOR PERIOD RESTATEMENT

Self Insurance Trust Fund restated beginning net position due to revenue overstated in the prior period. These adjustments were recorded as of July 1, 2020 and during fiscal year 2020.

Net Position as of June 30, 2020	Restatement	Net Position as of June 30, 2020 Restated
<u>\$ 84,591,878</u>	<u>\$ (7,532,037)</u>	<u>\$ 77,059,841</u>

Accounts Receivable as of June 30, 2020	Restatement	Accounts Receivable as of June 30, 2020 Restated
<u>\$ 8,911,233</u>	<u>\$ (7,532,037)</u>	<u>\$ 1,379,196</u>

Revenue as of June 30, 2020	Restatement	Revenue as of June 30, 2020 Restated
<u>\$ 391,121,895</u>	<u>\$ (7,532,037)</u>	<u>\$ 383,589,858</u>

NOTE 11 LITIGATION

Public Employees Benefit Program of the Self Insurance Trust Fund is involved in pending litigation. The outcome of the litigation cannot be predicted at this time.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

	Measurement Dates						
	2020	2019	2018	2017	2016	2015	2014
Proportionate of the Net Pension Liability (Asset)	0.0254%	0.0281%	0.0260%	0.0253%	0.0270%	0.0262%	0.0254%
Proportionate Share of the Net Pension Liability (Asset) \$	3,537,451	\$ 3,833,649	\$ 3,547,239	\$ 3,361,917	\$ 3,633,788	\$ 3,003,622	\$ 2,681,426
Proportionate Share of Covered-Payroll \$	1,532,510	\$ 1,684,981	\$ 1,509,506	\$ 1,374,657	\$ 1,333,326	\$ 1,344,932	\$ 1,451,586
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	230.83%	227.52%	234.99%	244.56%	272.54%	223.33%	184.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.04%	76.46%	75.24%	74.42%	72.23%	75.13%	76.31%

* Only seven years of information is available due to reporting changes related to the Implementation of GASB 68 Implementation effective fiscal year 2015.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS***

Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 260,407	\$ 267,388	\$ 270,930	\$ 241,784	\$ 220,384	\$ 228,943	\$ 281,658
Contributions in Relation to the							
Contractually Required Contribution	(260,407)	(267,388)	(270,930)	(241,784)	(220,384)	(228,943)	(281,658)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered-Payroll	\$ 1,594,419	\$ 1,532,510	\$ 1,684,981	\$ 1,509,506	\$ 1,374,657	\$ 1,333,326	\$ 1,344,932
Contributions as a Percentage of Covered Payroll	16.33%	17.45%	16.08%	16.02%	16.03%	17.17%	20.94%

* Only seven years of information is available due to reporting changes related to the implementation of GASB 68 implementation effective fiscal year 2015.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
LAST TEN FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the Net OPEB Liability (Asset)	0.0938%	0.0934%	0.1070%	0.1029%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,405,628	\$ 1,301,204	\$ 1,417,507	\$ 1,339,747
Proportionate Share of Covered Payroll	\$ 1,532,510	\$ 1,684,981	\$ 1,509,506	\$ 1,374,657
Proportionate Share of the Net OPEB Liability (Asset) as a				
Percentage of Covered Payroll	91.72%	77.22%	93.91%	97.46%
Plan Fiduciary Net Position as a				
Percentage of the Total OPEB Liability	0.02%	0.02%	0.12%	0.11%

* Only four years of information is available due to reporting changes related to the implementation of GASB 75 effective fiscal year 2018.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF THE FUND CONTRIBUTIONS
LAST TEN FISCAL YEARS***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 37,136	\$ 41,705	\$ 44,268	\$ 39,801
Contributions	<u>(37,136)</u>	<u>(41,705)</u>	<u>(44,268)</u>	<u>(39,801)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund's Covered Payroll	\$ 1,594,419	\$ 1,532,510	\$ 1,684,981	\$ 1,509,506
Contributions as a Percentage of Covered Payroll	2.33%	2.72%	2.63%	2.64%

* Only four years of information is available due to reporting changes related to the implementation of GASB 75 effective fiscal year 2018.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of the Public Employees' Benefits Program
State of Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's basic financial statements, and have issued our report thereon dated February 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

Board of the Public Employees' Benefits Program
State of Nevada
Self Insurance Trust Fund

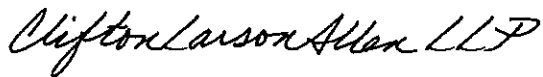
contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's Response to Findings

Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's response to the findings identified in our audit is described in the accompanying schedule of findings. Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Broomfield, Colorado
February 22, 2022

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

2021 – 001 Claims Expenses

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: Expenses and liabilities related to accrual entries at the end of the fiscal year recorded for claims were not recorded correctly.

Criteria: Governmental Accounting Standards Board Statement No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements – An Interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; And GASB Statements No. 10, 16, and 18*, and subsequent amendments to this guidance define accrual accounting and provide guidance for proper accounting of these liabilities.

Context: During testing of claim expenses and related liabilities, it was noted that invoices applicable to work performed in 2021 were not recorded as expenditures for Public Employees Benefit Program. Also, loss on reserve calculation was understated.

Effect: As a result of this issue, the following adjustments were required to by posted Public Employees Benefit Program:

- Self-Insurance Trust Fund – An adjustment to increase claims expenses and related liabilities by an amount of \$5,792,987. Also, an adjustment to reduce claims expense and loss on reserve by \$1,536,265.

Cause: Accrual entries for claims activity were not recorded correctly.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Public Employees Benefit Program increase its review of accrual entries recorded at the end of the fiscal year.

Views of responsible officials and planned corrective actions: The Public Employees Benefit Program agrees with the finding and has adjusted claims expenses and related liabilities accordingly. Public Employees Benefit Program will improve the process for yearend accrual entries

Responsible Official: Cari Eaton, CFO

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

2021 – 002 Accounts Receivable

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: Premium Revenue and related receivables related to accrual entries at the end of the fiscal year recorded for claims were not recorded correctly.

Criteria: Based on the guidance in Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, premium revenue should be recognized as revenue over the contract period in proportion to the amount of risk protection provided.

Context: During testing of premium revenue and related receivables, it was noted the Public Employees Benefit Program did not record year end accruals correctly.

Effect: As a result of this issue, the following adjustments were required to be posted Public Employees Benefit Program:

- Self-Insurance Trust Fund – An adjustment to increase premium revenue and related receivables by \$8,015,709. Also, an adjustment to decrease premium revenue and related receivable by \$34,601,578.

Cause: Accrual entries for revenue recognition were not recorded correctly.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Public Employees Benefit Program increase its review of accrual entries recorded at the end of the fiscal year.

Views of responsible officials and planned corrective actions: The Public Employees Benefit Program agrees with the finding and has adjusted premium revenue and related receivables accordingly. Public Employees Benefit Program will improve for yearend accrual entries.

Responsible Official: Cari Eaton, CFO

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

2021 – 003 Prior Period Restatement

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: Premium Revenue and related receivables related to accrual entries at the end of the fiscal year recorded for claims were not recorded correctly.

Criteria: Based on the guidance in Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, premium revenue should be recognized as revenue over the contract period in proportion to the amount of risk protection provided.

Context: During testing of premium revenue and related receivables, it was noted the Public Employees Benefit Program did not record year end accruals correctly from the prior period resulting in overstated revenue, receivables, and net position.

Effect: As a result of this issue, the following adjustments were required to by posted Public Employees Benefit Program:

- Self-Insurance Trust Fund - An adjustment to decrease premium revenue and related receivables by \$7,532,761 which resulted in net position being restated by \$7,532,761.

Cause: Accrual entries for revenue recognition were not recorded correctly.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Public Employees Benefit Program increase its review of accrual entries recorded at the end of the fiscal year.

Views of responsible officials and planned corrective actions: The Public Employees Benefit Program agrees with the finding and has adjusted premium revenue and related receivables accordingly. Public Employees Benefit Program will improve for yearend accrual entries.

Responsible Official: Cari Eaton, CFO