

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC

AUDIT REPORT

For the Year Ended December 31, 2015



State of South Dakota
Department of Legislative Audit
427 South Chapelle
% 500 East Capitol
Pierre, SD 57501-5070

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
OFFICIALS
December 31, 2015

Board of Managers:

Board President, Ron Wheeler
Vice President, Mark Lauseng
Treasurer, Mike Headley
Secretary, Don Templeton
Member, Jeff Holden

Manager South Dakota Captive Insurance Companies:

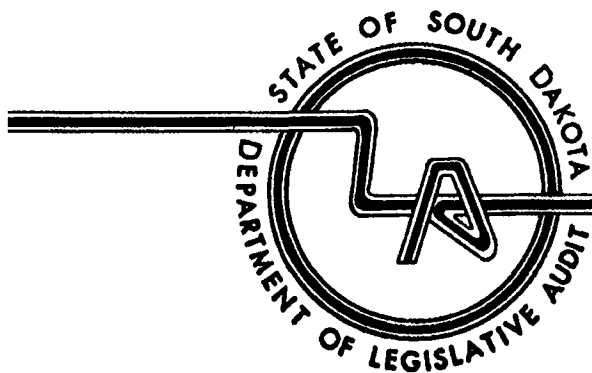
Megan Mercer

Director, Executive Management Finance Office:

Terry Miller

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Independent Auditor's Report.....	3
Basic Financial Statements:	
As of December 31, 2015:	
Statement of Net Position	5
For the year ended December 31, 2015:	
Statement of Revenues, Expenses, and Changes in Net Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Required Supplementary Information:	
Ten-Year Claims Development Information	16



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

**INDEPENDENT AUDITOR'S 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**

The Honorable Dennis Daugaard
Governor of South Dakota

and

Board of Managers
South Dakota Authority Captive Insurance Company, LLC

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 financial statements of the South Dakota Authority Captive Insurance Company, a component unit of the State of South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the South Dakota Authority Captive Insurance Company's basic financial statements, and have issued our report thereon dated May 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Dakota Authority Captive Insurance Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Authority Captive Insurance Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Dakota Authority Captive Insurance Company'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dakota Authority Captive Insurance Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

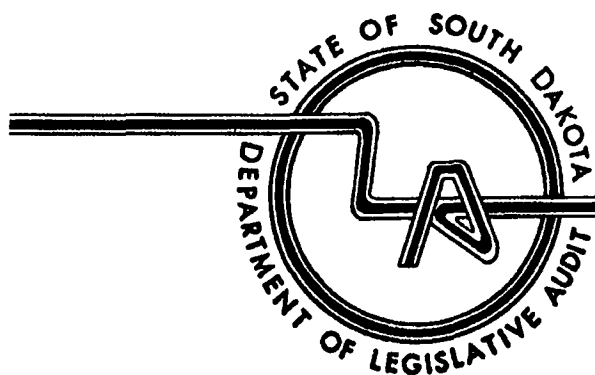
Purpose of this Report

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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

May 16, 2016



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605) 773-3595

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard
Governor of South Dakota

and

Board of Managers
South Dakota Authority Captive Insurance Company, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of the South Dakota Authority Captive Insurance Company, a component unit of the State of South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the South Dakota Authority Captive Insurance Company'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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Authority Captive Insurance Company as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

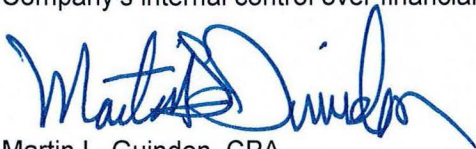
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Ten-Year Claims Development Information on page 16 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016 on our consideration of the South Dakota Authority Captive Insurance Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 South Dakota Authority Captive Insurance Company's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

May 16, 2016

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF NET POSITION
December 31, 2015

	2015
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 4,367,172
Prepaid Reinsurance Premium	150,136
Total Assets	<u>\$ 4,517,308</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 9,882
Reserve for Claims and Claim Adjustment Expense	12,606
Total Current Liabilities	<u>22,488</u>
Noncurrent Liabilities	
Reserve for Claims and Claim Adjustment Expense	42,594
Total Noncurrent Liabilities	<u>42,594</u>
Total Liabilities	<u>65,082</u>
Net Position	
Unrestricted	4,452,226
Total Net Position	<u>4,452,226</u>
Total Liabilities and Net Position	<u>\$ 4,517,308</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	2015
Operating Revenue	
Gross Earned Premiums	\$ 188,025
Reinsurance Premiums Ceded	(49,864)
Net Earned Premiums	<u>138,161</u>
Operating Expense	
Management Fees	36,457
Legal Fees	29,412
Legal Document Fees	4,200
Supervision Fee	6,000
Actuarial Fees	54,554
Claims and Claim Adjustment Expense	55,200
Total Operating Expenses	<u>185,823</u>
Operating Income (Loss)	(47,662)
Nonoperating Revenue (Expenses)	
Capital Contribution	4,500,000
Interest Proration	(112)
Total Nonoperating Revenue (Expenses)	<u>4,499,888</u>
Change in Net Position	4,452,226
Net Position at Beginning of Year	-
Net Position at End of Year	<u>\$ 4,452,226</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

Cash Flows from Operating Activities

Cash Receipts from Premiums	\$ 188,025
Cash Payments for Management Fees	(32,575)
Cash Payments for Professional Services	(83,966)
Cash Payments for Legal Document Fees	(4,200)
Cash Payments for Reinsurance Premiums	(200,000)

Net Cash Provided (Used) by Operating Activities	(132,716)
---	------------------

Cash Flows from Noncapital Financing Activities

Capital Contribution	4,500,000
----------------------	-----------

Net Cash Provided (Used) by Noncapital Financing Activities	4,500,000
--	------------------

Cash Flows from Investing Activities

Interest Proration Expense	(112)
----------------------------	-------

Net Cash Provided (Used) by Investing Activities	(112)
---	--------------

Net Increase (Decrease) in Cash and Cash Equivalents

During the Fiscal Year	4,367,172
------------------------	-----------

Cash and Cash Equivalents at Beginning of Year

Cash and Cash Equivalents at End of Year	\$ 4,367,172
---	---------------------

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

Operating Income (Loss)	\$ (47,662)
-------------------------	-------------

Decrease/(Increase) in Assets

Prepaid Reinsurance Premium	(150,136)
-----------------------------	-----------

Increase/(Decrease) in Liabilities

Accounts Payable	9,882
------------------	-------

Claims Payable	55,200
----------------	--------

Net Cash Provided (Used) by Operating Activities	\$ (132,716)
---	---------------------

The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 – Organization

The South Dakota Authority Captive Insurance Company, LLC (Captive), a nonprofit limited liability company, was established August 12, 2015. The Captive was established to cover some of the liability risks of six Authorities in the State of South Dakota. The Authorities are: Science and Technology Authority (STA), Building Authority (BA), Health and Educational Facilities Authority (HEFA), Educational Enhancement Funding Corporation (EEFC), Ellsworth Development Authority (EDA), and Housing Development Authority (HDA).

The Captive is governed by a five member Board of Managers who serves as the officers of the Captive. The Board of Managers is responsible for approving premium rates for policies issued by the Company. The Captive Board of Managers holds regularly scheduled meetings in June and November each year. The State of South Dakota Office of Risk Management serves as the manager and performs necessary functions such as underwriting, billing and collecting premiums, investigating and settling claims, accounting, and reporting.

The Captive is a sponsored captive and is comprised of two cells. Cell 1 is the STA and Cell 2 is comprised of the other five authorities. The cells are treated as separate entities for risk sharing purposes.

The Captive is a business type component unit of the State of South Dakota. As such, the accompanying financial statements are included in the Comprehensive Annual Financial Report of the State of South Dakota.

Note 2 – Summary of Significant Accounting Policies

Fund Accounting

The Captive is accounted for as a proprietary type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises.

Basis of Accounting

The accompanying financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as nonoperating.

Cash and Cash Equivalents

Cash and cash equivalents represent the Captive's participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value. Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the SDIC's audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, SD 57501.

Reserve for Claims and Claim Adjustment Expenses

The Captive established the reserve for claims and claim adjustment expenses based on the estimated ultimate cost of settling the claims. This includes claims that have been reported but not settled, and claims that have been incurred but not reported. Costs of claims include losses, allocated claim adjustment expenses, and unallocated claim adjustment expenses. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the unpaid claims liability. The following represents the estimated unpaid claims and claim adjustment expenses for the year ended December 31, 2015.

	<u>2015</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	<u>\$ -</u>
Incurring claims and claim adjustment expenses:	
Provision for insured events of the current year	53,819
Changes in provisions for insured events of prior fiscal years	-
Unallocated claim adjustment expenses	<u>1,381</u>
Total incurred claims and claim adjustment expenses	<u>55,200</u>

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

Payments:

Claims and claim adjustment expenses attributable to insured events of the current fiscal year	-
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	-
Total payments	-
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 55,200

Premium Revenue

Premiums billed are recognized as revenue over the term of the insurance policies. The Captive has determined there are no unearned premiums at December 31, 2015. The Captive does not consider anticipated investment income in determining if a premium deficiency exists.

Capital Contributions

The 2015 Legislature approved HB 1186 which authorized \$2,500,000 of the STA Indemnification fund money to be used as initial capital and pay expenses for Cell 1 of the Captive. The Legislature also approved HB 1187 which appropriated \$2,000,000 from the State general fund for the purpose of making a grant to Cell 2 of the Captive to provide liability coverage. The amounts were recognized as revenue for the year ended December 31, 2015.

Grant Agreement

A grant agreement for the \$2,000,000 appropriated through HB 1187 is in effect between the State of South Dakota and the Captive. The agreement states the grant is to be used solely for the purpose of providing liability coverage to the authorities that comprise Cell 2. If any part of the grant is used for unauthorized purposes, that portion shall be repaid to the State of South Dakota. Additionally, in the event the Captive dissolves its existence, any part of the grant remaining, less the reasonable and necessary expenses of winding up the Captive's affairs, and less any amounts required to be maintained on account of claims or potential claims or otherwise required by the South Dakota Division of Insurance or any successor regulatory entity shall be paid to the State of South Dakota. Upon a final determination by a regulatory body with jurisdiction that no further claims reserves are required to be held, any remaining balance of the grant shall be paid to the State of South Dakota.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

Grant Agreement (Continued)

There is no grant agreement for the \$2,500,000 authorized through HB 1186 to be used as initial capital for the Captive. However, Section 14.2 of the operating agreement states that in the event the Captive dissolves, the Board shall distribute any remaining assets to the Members pro rata in accordance with their initial and any subsequent contributions to the Captive.

Reinsurance Premiums

Reinsurance premiums are netted against gross premiums over the terms of the insurance policies. Prepaid reinsurance premium is established to reflect premiums paid applicable to future accounting periods.

Note 3 – Insurance Activity

Premiums written for the year ended December 31, 2015 were as follows:

	<u>2015</u>
Premiums written	\$ 188,025
Premiums ceded	<u>(49,864)</u>
Net premiums written	<u>\$ 138,161</u>

The Captive provides commercial general liability (CGL), directors and officers and entity coverage (D&O), and employment practices liability and errors and omissions (E&O). There are separate policies issued to each cell for each type of coverage. General liability for STA includes coverage for general liability claims arising from experiments. The Captive will retain the first one million of losses and has entered into a reinsurance agreement to cover claims exceeding \$1,000,000 with a limit of \$4,000,000. The Captive started writing coverage September 1, 2015. The first policies cover the period September 1, 2015 – December 31, 2016. Thereafter, the Captive's and reinsurer's policies will be written on a calendar year basis.

The Captive covers \$5,000,000 of losses and allocated loss adjustment expense (ALAE) with ALAE payable in addition to the coverage limit. It purchased reinsurance for \$4,000,000 excess of \$1,000,000 for losses and ALAE with ALAE payable in addition to the coverage limit. The CGL is first dollar occurrence coverage. The D&O and E&O have a \$25,000 per occurrence deductible that applies to losses and ALAE.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3 – Insurance Activity (Continued)

The STA purchases additional coverages above the \$5,000,000 reinsurance limits of Cell 1 for Cell 1 losses up to \$75,000,000. This insurance is procured for STA by the Captive Manager and billed directly to STA.

The amount of claims will be projected by an actuarial firm. The premium is based on estimated claims plus administrative costs. Billings are prepared and sent to the authorities on a semi-annual basis.

Note 4 – Regulatory Requirements

The South Dakota Authority Captive Insurance Company, LLC is formed as a non-profit LLC under the laws of the State of South Dakota. As the registered agent for the Captive, the State of South Dakota Office of Risk Management is responsible for filing an annual report with the South Dakota Secretary of State. The annual report is due at the end of the month in which the company was formed. The annual report for the Captive is due each year by August 31.

The Captive is required to submit audited financial statements to the South Dakota Division of Insurance by June 30 each year. An actuarial report is required to accompany the financial statements.

Note 5 – Subsequent Events

Management has evaluated subsequent events for disclosure through the report date, which is the date the financial statements were available to be issued. Management believes there are no subsequent events having an impact on the financial statements.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6 – Disaggregation of Financial Statements

The following are the disaggregated financial statements, by cell, of the Authority Captive.

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF NET POSITION
December 31, 2015

	Cell 1	Cell 2	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 2,392,858	\$ 1,974,314	\$ 4,367,172
Prepaid Reinsurance Premium	98,840	51,296	150,136
Total Assets	\$ 2,491,698	\$ 2,025,610	\$ 4,517,308
Liabilities			
Current Liabilities			
Accounts Payable	\$ 4,802	\$ 5,080	\$ 9,882
Reserve for Claims and Claim Adjustment Expense	6,198	6,408	12,606
Total Current Liabilities	11,000	11,488	22,488
Noncurrent Liabilities			
Reserve for Claims and Claim Adjustment Expense	20,863	21,731	42,594
Total Noncurrent Liabilities	20,863	21,731	42,594
Total Liabilities	31,863	33,219	65,082
Net Position			
Unrestricted	2,459,835	1,992,391	4,452,226
Total Net Position	2,459,835	1,992,391	4,452,226
Total Liabilities and Net Position	\$ 2,491,698	\$ 2,025,610	\$ 4,517,308

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6 – Disaggregation of Financial Statements (Continued)

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	Cell 1	Cell 2	Total
Operating Revenue			
Gross Earned Premiums	\$ 90,892	\$ 97,133	\$ 188,025
Reinsurance Premiums Ceded	(32,827)	(17,037)	(49,864)
Net Earned Premiums	58,065	80,096	138,161
Operating Expense			
Management Fees	18,261	18,196	36,457
Legal Fees	13,352	16,060	29,412
Legal Document Fees	2,764	1,436	4,200
Supervision Fee	2,900	3,100	6,000
Actuarial Fees	33,829	20,725	54,554
Claims and Claim Adjustment Expense	27,061	28,139	55,200
Total Operating Expenses	98,167	87,656	185,823
Operating Income (Loss)	(40,102)	(7,560)	(47,662)
Nonoperating Revenue (Expenses)			
Capital Contribution	2,500,000	2,000,000	4,500,000
Interest Proration	(63)	(49)	(112)
Total Nonoperating Revenue (Expenses)	2,499,937	1,999,951	4,499,888
Change in Net Position	2,459,835	1,992,391	4,452,226
Net Position at Beginning of Year	-	-	-
Net Position at End of Year	\$ 2,459,835	\$ 1,992,391	\$ 4,452,226

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6 – Disaggregation of Financial Statements (Continued)

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Cell 1	Cell 2	Total
Cash Flows from Operating Activities			
Cash Receipts from Gross Premiums	\$ 90,892	\$ 97,133	\$ 188,025
Cash Payments for Management Fees	(16,359)	(16,216)	(32,575)
Cash Payments for Professional Services	(47,181)	(36,785)	(83,966)
Cash Payments for Legal Document Fees	(2,764)	(1,436)	(4,200)
Cash Payments for Reinsurance Premiums	(131,667)	(68,333)	(200,000)
Net Cash Provided (Used) by Operating Activities	(107,079)	(25,637)	(132,716)
Cash Flows from Noncapital Financing Activities			
Capital Contribution	2,500,000	2,000,000	4,500,000
Net Cash Provided (Used) by Noncapital Financing Activities	2,500,000	2,000,000	4,500,000
Cash Flows from Investing Activities			
Interest Proration Expense	(63)	(49)	(112)
Net Cash Provided (Used) by Investing Activities	(63)	(49)	(112)
Net Increase (Decrease) in Cash and Cash Equivalents			
During the Fiscal Year	2,392,858	1,974,314	4,367,172
Cash and Cash Equivalents at Beginning of Year	-	-	-
Cash and Cash Equivalents at End of Year	\$ 2,392,858	\$ 1,974,314	\$ 4,367,172
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (40,102)	\$ (7,560)	\$ (47,662)
Decrease/(Increase) in Assets			
Prepaid Reinsurance Premium	(98,840)	(51,296)	(150,136)
Increase/(Decrease) in Liabilities			
Accounts Payable	4,802	5,080	9,882
Claims Payable	27,061	28,139	55,200
Net Cash Provided (Used) by Operating Activities	\$ (107,079)	\$ (25,637)	\$ (132,716)

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH DAKOTA AUTHORITY CAPTIVE INSURANCE COMPANY, LLC Ten-Year Claims Development Information For the Fiscal and Policy Year Ended December 31, 2015

	<u>2015</u>
1. Required contribution and investment revenue:	
Earned	\$ 187,913
Ceded	(49,864)
Net earned	<u>138,049</u>
2. Unallocated expenses	132,004
3. Estimated claims and expenses, end of policy year:	
Incurred	53,819
Ceded	-
Net incurred	<u>53,819</u>
4. Net Paid (cumulative) as of:	
End of policy year	-
5. Reestimated ceded claims and expenses	-
6. Reestimated net incurred claims and expenses:	
End of policy year	53,819
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	-

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years in which it is available.