

**CALIFORNIA INSURANCE
POOL AUTHORITY**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

**CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)**

NEWPORT BEACH, CALIFORNIA

JUNE 30, 2015

BOARD OF DIRECTORS

<u>REPRESENTATIVE</u>	<u>MEMBER</u>	<u>OFFICE</u>
Barbara Salvini	City of Laguna Beach	President
Mark Aalders	City of Yorba Linda	Vice President
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Rod C. Hill	City of Whittier	Member

ADMINISTRATION

Janet Kiser	Kiser & Company	General Manager
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CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

TABLE OF CONTENTS
JUNE 30, 2015

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13

REQUIRED SUPPLEMENTARY INFORMATION

Reconciliation of Claims Liabilities by Type of Coverage	24
Claims Development Information	26
Liability Program	27
Workers' Compensation Program	29

SUPPLEMENTARY INFORMATION

Combining Statement of Net Position	31
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	33
Financial Statement Findings	35
Summary Schedule of Prior Audit Findings	36

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Insurance Pool Authority
Newport Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Insurance Pool Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority, as of June 30, 2015, and the changes in financial position, and cash flows thereof 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 management's discussion and analysis on pages 4 through 9, reconciliation of claims liabilities by type of coverage on page 24 and 25, and claims development information on pages 26 through 30 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in fund net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in fund net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position and combining statement of revenues, expenses, and changes in fund net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the 2014 financial statements of the Authority, and we expressed an unmodified audit opinion on the financial statements in our report dated November 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of the Authority'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 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 Authority's internal control over financial reporting and compliance.



Laguna Hills, California

October 16, 2015

**CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Description of the Basic Financial Statements

CIPA's financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. A Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are maintained along with the Notes to Financial Statements to clarify unique accounting policies. Separate governmental enterprise funds are operated for the Liability and Workers' Compensation programs. The assets, liabilities, revenues, and expenses are reported on a full accrual basis.

The Statement of Net Position provides information on all CIPA program assets and liabilities, with the difference reported as Net Position. Net Position may be an indicator of the overall pool financial changes across years. The Statement of Revenues, Expenses and Changes in Net Position present information showing total revenues versus total expenses and the resulting effect on Net Position.

2014 to 2015 Analysis of Financial Position and Results of Operations

The overall net position decreased 1%. The Liability Program net position decreased 15% and the Workers' Compensation net position increased 59%. The following highlights the major changes:

- Cash and Cash Equivalents declined 54%. Short Term investments declined 25%. The decrease in Cash and Cash Equivalents and Short Term Investments was offset by the increase in long term investments. An additional \$2,000,000 was invested in August 2014.
- Current Receivables increased 26% due to an increase in Workers' Compensation assessment which increased from \$70,453 to \$133,935 as projected by the actuary. There was no increase in the Liability assessment. Noncurrent Receivables increased 43% due to an increase in assessments due as calculated by the actuary. Outstanding Liability assessments due decreased \$239,139, while Workers' Compensation assessments due increased \$1,077,320.
- Accounts Payable decreased 82%. The \$33,174 differential was primarily due to legal expenses related to one open claim at June 30, 2014. This claim was finalized during the current fiscal year.
- Due Members increased 87%. The audited payroll adjustment increased by \$60,119 when compared to 2013-14. A payroll adjustment is made each year based on actual payroll compared to the original payroll estimated by Members. An additional \$62,203 of the increase was due to a claim reimbursement due to the City of Los Alamitos (former member) on a Workers' Compensation claim. Reimbursement was made in July 2015.
- The change in the claims deposit related to a deposit maintained for the City of Brea, at their request, in the prior year. The claim was concluded with a defense verdict and the remaining deposit was returned to the City during the current fiscal year.
- The Current Portion of Unpaid Claims increased 142% as projected by the actuary. The projection for the current year was increased to reflect higher expected claims payouts.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

- Administration Expenses increased \$38,636. Biannual Liability and Workers' Compensation claim audits were conducted in 2014-15 at a cost of \$20,778. CIPA also reviewed and revised their Liability Memorandum of Coverage during 2014-15. These expenditures did not occur during 2013-14.
- Contributions Prior Year Assessments increased 1,127%. The increase of \$1,112,518 was primarily due to Workers' Compensation losses in the 2008/09 year that rolled into the assessment calculation this fiscal year, as projected by the actuary.
- Excess Insurance increased 7% or \$113,382. Approximately \$60,000 of this increase was due to an increase in the Excess Workers' Compensation premium. The limit on this policy was increased from \$25 million to \$50 million, resulting in higher premium. The Liability premium increased 4.5%.
- Claims Paid increased 46% or \$1,241,422. The increase was due to the settlement of four Liability claims during the year. While Liability claim payments fluctuate from year to year, this year saw the largest claim payments in CIPA's history. There was essentially no change in the Workers' Compensation claim payments.
- The Provision for Loss Reserves increased 547%. The Liability loss reserve increased \$806,529 due to adverse claim development; and the Workers' Compensation loss reserve increased \$193,779 as projected by the actuary.

Contacting CIPA's Financial Management

This financial report is designed to provide our membership, investors, and creditors with a general overview of CIPA's finances and to show CIPA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact management at 366 San Miguel Drive, Suite 312, Newport Beach, CA 92660.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

CONDENSED FINANCIAL INFORMATION
Statement of Net Position
June 30:

	<u>2015</u>	<u>2014</u>	2014-2015 % Change
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,105,882	\$ 4,532,756	-54%
Receivables	413,224	328,236	26%
Short-term investments	5,036,121	6,729,018	-25%
Total Current Assets	<u>7,555,227</u>	<u>11,590,010</u>	-35%
Noncurrent Assets			
Receivables	2,779,771	1,941,590	43%
Investments	25,808,364	21,795,087	18%
Total Non-Current Assets	<u>28,588,135</u>	<u>23,736,677</u>	20%
Total Assets	<u>36,143,362</u>	<u>35,326,687</u>	2%
LIABILITIES			
Current Liabilities			
Accounts payable	7,390	40,564	-82%
Due members	252,150	135,091	87%
Dividends payable	482,930	482,930	100%
Claims deposit	-	8,625	-100%
Current portion of unpaid claims and claim adjustment expenses	<u>2,524,272</u>	<u>1,041,784</u>	142%
Total Current Liabilities	<u>3,266,742</u>	<u>1,708,994</u>	91%
Unpaid claims and claim adjustment expenses, noncurrent portion	<u>15,056,332</u>	<u>15,538,512</u>	-3%
Total Liabilities	<u>18,323,074</u>	<u>17,247,506</u>	6%
NET POSITION			
Net Position-unrestricted	<u>17,820,288</u>	<u>18,079,181</u>	-1%
Total Net Position	<u>\$ 17,820,288</u>	<u>\$ 18,079,181</u>	-1%

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Statement of Revenues, Expenses, and Changes in Net Position
June 30:

	2015	2014	2014-2015 % Change
Operating Revenues:			
Contributions	\$ 7,723,637	\$ 7,503,268	3%
Contributions-prior year assessments	1,211,255	98,737	1127%
Excess insurance	(1,748,948)	(1,635,566)	7%
Joint purchase insurance	(2,010,600)	(2,051,690)	-2%
Other	250	1,544	-84%
Total Operating Revenues	<u>5,175,594</u>	<u>3,916,293</u>	32%
Operating Expenses:			
Claims paid	3,945,414	2,703,992	46%
Provision for loss reserves	1,000,308	154,706	547%
Litigation management services	1,260	-	100%
Risk management services	216,190	214,449	1%
Administration expenses	160,025	121,389	32%
Dividends	482,930	482,930	0%
Total Operating Expenses	<u>5,806,127</u>	<u>3,677,466</u>	58%
Operating Income (loss)	(630,533)	238,827	-364%
Nonoperating Revenues:			
Investment earnings net of fees	<u>371,640</u>	<u>389,879</u>	-5%
Increase (Decrease) in Net Position	(258,893)	628,706	-141%
Net Position, Beginning of Year	<u>18,079,181</u>	<u>17,450,475</u>	4%
Net Position, End of Year	<u>\$ 17,820,288</u>	<u>\$ 18,079,181</u>	-1%

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

FINANCIAL INFORMATION BY FUND
Statement of Net Position
June 30:

LIABILITY

	<u>2015</u>	<u>2014</u>	<u>2014-2015</u> <u>% Change</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 231,593	\$ 2,079,298	-89%
Receivables	248,717	240,446	3%
Short-term investments	<u>3,080,997</u>	<u>4,309,263</u>	-29%
Total Current Assets	<u>3,561,307</u>	<u>6,629,007</u>	-46%
Noncurrent Assets			
Receivables	1,079,332	1,318,471	-18%
Investments	<u>15,789,040</u>	<u>13,956,172</u>	13%
Total Noncurrent Assets	<u>16,868,372</u>	<u>15,274,643</u>	10%
Total Assets	<u>20,429,679</u>	<u>21,903,650</u>	-7%
LIABILITIES			
Current Liabilities			
Accounts payable	6,265	19,531	-68%
Due members	-	5,264	-100%
Dividends payable	482,930	482,930	0%
Claims deposit	-	8,625	-100%
Current portion of unpaid claims and claim adjustment expenses	<u>1,456,311</u>	<u>510,271</u>	185%
Total Current Liabilities	<u>1,945,506</u>	<u>1,026,621</u>	90%
Unpaid claims and claim adjustment expenses, noncurrent portion	<u>6,020,865</u>	<u>6,160,376</u>	-2%
Total Liabilities	<u>7,966,371</u>	<u>7,186,997</u>	11%
NET POSITION			
Net Position-unrestricted	<u>12,463,308</u>	<u>14,716,653</u>	-15%
Total Net Position	<u>\$ 12,463,308</u>	<u>\$ 14,716,653</u>	-15%

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Statement of Net Position
June 30:

WORKERS' COMPENSATION

	<u>2015</u>	<u>2014</u>	2014-2015 % Change
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,874,289	\$ 2,453,458	-24%
Receivables	164,507	87,790	87%
Short-term investments	1,955,124	2,419,755	-19%
Total Current Assets	<u>3,993,920</u>	<u>4,961,003</u>	-19%
Noncurrent Assets			
Receivables	1,700,439	623,119	173%
Investments	10,019,324	7,838,915	28%
Total Non-current Assets	<u>11,719,763</u>	<u>8,462,034</u>	38%
Total Assets	<u>15,713,683</u>	<u>13,423,037</u>	17%
LIABILITIES			
Current Liabilities			
Accounts payable	1,125	21,033	-95%
Due members	252,150	129,827	94%
Current portion of unpaid claims and claim adjustment expenses	1,067,961	531,513	101%
Total Current Liabilities	<u>1,321,236</u>	<u>682,373</u>	94%
Unpaid claims and claim adjustment expenses, noncurrent portion	9,035,467	9,378,136	-4%
Total Liabilities	<u>10,356,703</u>	<u>10,060,509</u>	3%
NET POSITION			
Net Position-unrestricted	5,356,980	3,362,528	59%
Total Net Position	<u>\$ 5,356,980</u>	<u>\$ 3,362,528</u>	59%

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Statement of Net Position
June 30:

WORKERS' COMPENSATION

	<u>2015</u>	<u>2014</u>	2014-2015 % Change
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,874,289	\$ 2,453,458	-24%
Receivables	164,507	87,790	87%
Short-term investments	1,955,124	2,419,755	-19%
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Total Assets	<u>15,713,683</u>	<u>13,423,037</u>	17%
LIABILITIES			
Current Liabilities			
Accounts payable	1,125	21,033	-95%
Due members	252,150	129,827	94%
Current portion of unpaid claims and claim adjustment expenses	1,067,961	531,513	101%
Total Current Liabilities	<u>1,321,236</u>	<u>682,373</u>	94%
Unpaid claims and claim adjustment expenses, noncurrent portion	9,035,467	9,378,136	-4%
Total Liabilities	<u>10,356,703</u>	<u>10,060,509</u>	3%
NET POSITION			
Net Position-unrestricted	5,356,980	3,362,528	59%
Total Net Position	<u>\$ 5,356,980</u>	<u>\$ 3,362,528</u>	59%

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

STATEMENT OF NET POSITION
(With Comparative Totals for the Year Ended June 30, 2014)

JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,105,882	\$ 4,532,756
Receivables	413,224	328,236
Short-term investments	5,036,121	6,729,018
Total Current Assets	<u>7,555,227</u>	<u>11,590,010</u>
Noncurrent Assets		
Receivables	2,779,771	1,941,590
Investments	25,808,364	21,795,087
Total Noncurrent Assets	<u>28,588,135</u>	<u>23,736,677</u>
Total Assets	<u>36,143,362</u>	<u>35,326,687</u>
 LIABILITIES		
Current Liabilities		
Accounts payable	7,390	40,564
Due members	252,150	135,091
Dividends payable	482,930	482,930
Claims deposits	-	8,625
Current portion of unpaid claims and claim adjustment expenses	2,524,272	1,041,784
Total Current Liabilities	<u>3,266,742</u>	<u>1,708,994</u>
Unpaid claims and claim adjustment expenses, noncurrent portion	15,056,332	15,538,512
Total Liabilities	<u>18,323,074</u>	<u>17,247,506</u>
 NET POSITION		
Unrestricted	17,820,288	18,079,181
Total Net Position	<u>\$ 17,820,288</u>	<u>\$ 18,079,181</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
(With Comparative Totals for the Year Ended June 30, 2014)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Contributions	\$ 7,723,637	\$ 7,503,268
Contributions-prior year assessments	1,211,255	98,737
Excess insurance	(1,748,948)	(1,635,566)
Joint purchase insurance	(2,010,600)	(2,051,690)
	<u>5,175,344</u>	<u>3,914,749</u>
Other	250	1,544
Total Operating Revenues	<u>5,175,594</u>	<u>3,916,293</u>
OPERATING EXPENSES		
Claims paid	3,945,414	2,703,992
Provision for loss reserves	1,000,308	154,706
Litigation management	1,260	-
Risk management services	216,190	214,449
Administration expenses	160,025	121,389
Dividends	482,930	482,930
	<u>5,806,127</u>	<u>3,677,466</u>
Total Operating Expenses		
Operating Income (loss)	(630,533)	238,827
NONOPERATING REVENUES		
Investment earnings net of fees	<u>371,640</u>	<u>389,879</u>
INCREASE (DECREASE) IN NET POSITION	(258,893)	628,706
NET POSITION, BEGINNING OF YEAR	<u>18,079,181</u>	<u>17,450,475</u>
NET POSITION, END OF YEAR	<u>\$ 17,820,288</u>	<u>\$ 18,079,181</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

STATEMENT OF CASH FLOWS
(With Comparative Totals for the Year Ended June 30, 2014)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	\$ 8,011,973	\$ 7,649,589
Cash paid for claims and settlements	(3,954,039)	(2,695,367)
Cash paid for insurance	(3,759,548)	(3,687,256)
Cash paid to suppliers for goods and services	(410,649)	(360,316)
Cash paid to members	<u>(365,871)</u>	<u>(5,327)</u>
Net Cash Provided (Used) by Operating Activities	<u>(478,134)</u>	<u>901,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(24,223,249)	(18,603,229)
Proceeds from maturities and sales of investment securities	21,902,869	16,637,948
Interest income	<u>371,640</u>	<u>389,879</u>
Net Cash Used by Investing Activities	<u>(1,948,740)</u>	<u>(1,575,402)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,426,874)	(674,079)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,532,756</u>	<u>5,206,835</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,105,882</u>	<u>\$ 4,532,756</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH APPLIED TO OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ (630,533)</u>	<u>\$ 238,827</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in receivables	(923,169)	46,040
(Decrease) in accounts payable	(33,174)	(24,478)
Increase in claims liabilities	1,000,308	154,706
Increase (decrease) in claims deposits	(8,625)	8,625
Increase in due members	<u>117,059</u>	<u>477,603</u>
Total Adjustments	<u>152,399</u>	<u>662,496</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (478,134)</u>	<u>\$ 901,323</u>

The accompanying notes are an integral part of these financial statements.

**CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description

The California Insurance Pool Authority (CIPA) was formed in 1978, under a Joint Powers Agreement pursuant to the provisions of Chapter 5 (beginning with Section 6500) of Division 7 of Title I of the State of California Government Code. CIPA is to provide risk management by arranging and administering programs for the pooling of self-insured losses and to purchase excess insurance coverage for its members. At June 30, 2015, the membership included thirteen cities.

The municipal liability self-insurance coverage, including automobile liability, arranged by CIPA for the members, includes protection for personal injury, property damage, and errors and omissions. The annual premium paid by each member for the liability program is determined by the actuary for CIPA and approved by the Board of Directors. The liability program is comprised of:

1. Risk-sharing pool - covers members' losses for the difference between the members' self-insured retention (SIR) and \$2,000,000.
2. Insurance-purchasing pool - obtains excess insurance coverage from \$2,000,000 to \$42,000,000.
3. Costs of operations - includes administrative costs.

CIPA offers workers' compensation pooling with SIRs ranging between \$300,000 and \$750,000. CIPA pools members' losses for the difference between each city's SIR and \$3,000,000. The pooled premium is recommended by an actuary and approved by the Board. Effective July 1, 2003, the Board voted not to group purchase Excess Workers' Compensation. Group self-insurance was again approved by the Board effective July 1, 2004.

CIPA also provides a non-risk sharing insurance-purchasing pool for property, employee bonds, and boiler/machinery coverage.

As of June 30, 2015, membership in CIPA was as follows:

City of Arcadia	City of Montclair
City of Brea	City of Orange
City of Buena Park	City of Tustin
City of Cypress	City of Westminster
City of Irvine	City of Whittier
City of Laguna Beach	City of Yorba Linda
City of La Habra	

Admission

Entities applying for membership must be approved by a majority vote of the Board Members present and voting.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Withdrawal/Termination

Members may withdraw from CIPA upon advance written notice subject to the participation agreement of each program. The effect of withdrawal (or termination), for the pooling programs, does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

The agreement contains provisions that require any member to remain in the program for a minimum period of two years. Thereafter the member agency may withdraw by giving written notice to the Board or its designee, on or before the next succeeding March 1, of the intent to withdraw as of 12:01 a.m. on the next July 1.

B. Description of Fund

The accounting records of CIPA are maintained in an enterprise fund which is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing services on a continuing basis be financed through user charges.

C. Reporting Entity

CIPA reporting entity includes all activities (operations of its administration, officers, executive committee and board of directors) as they relate to CIPA. This includes financial activity relating to all of the membership years.

CIPA has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The criteria include, but are not limited to, whether the entity exercises fiscal accountability (which includes whether CIPA's governing body is substantially the same as a component unit's governing body, or if there is a financial benefit or burden relationship between CIPA and the component unit).

CIPA has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements. In addition, CIPA is not aware of any entity that would exercise such oversight responsibility that would result in CIPA being considered a component unit of that entity. In determining its reporting entity, CIPA considered all governmental units that were members of CIPA since inception. The criteria did not require that inclusion of these entities in these financial statements principally because CIPA does not exercise fiscal accountability over any members.

D. Basis of Accounting

These statements are prepared on the accrual basis of accounting. Revenues from member contributions and interest from investments are recognized when earned. Expenses for vendor services are recognized when the services are provided. Expenses related to joint purchase premiums are recognized during the applicable policy period. Assessments and dividends are recognized during the fiscal year as calculated by the actuary. Workers' Compensation claim reimbursements are recognized during the fiscal year in which expenses were incurred. Liability claim reimbursements are recognized when claim expenses have been finalized.

Operating revenue includes member contributions and fees, which are an integral part of the operations and financing of the covered risks and activities. Nonoperating income includes activities that are not part of the core risk financing activities of the entity and investment income.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

E. New GASB Pronouncements

Effective in Future Years

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. CIPA has not determined the effect on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, And Amendments to Certain Provisions of GASB 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. CIPA has not determined the effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016, or the 2016-2017 fiscal year. CIPA has not determined the effect on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-2018 fiscal year. CIPA has not determined the effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. CIPA has not determined the effect on the financial statements.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2015, or the 2016-2017 fiscal year. CIPA has not determined the effect on the financial statements.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash in bank, investment in Local Agency Investment Fund, and all highly liquid debt instruments purchased with original maturity of three months or less.

G. Allowance for Doubtful Accounts

Accounts receivable generally includes investment earnings on deposits and member assessments. Management has analyzed these accounts and believes all amounts are fully collectible.

H. Investments

CIPA records its investments at fair market value. Changes in fair market value are reported as revenue in the Statement of Revenues, Expenses and Changes in Net Position. Fair market values of investments have been determined using the safekeeping statements of the custodian based on quoted market prices. CIPA reported an unrealized loss in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, during the year ended June 30, 2015 in the amount of \$33,084. This loss is reported with other investment earnings as part of nonoperating revenues.

I. Claims Liabilities

CIPA establishes claim liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled. Up until June 30, 2000, CIPA provided a claims-made policy whereby coverage is triggered by the reporting of the loss to CIPA, irrespective of the date the loss was actually incurred. Subsequent to June 30, 2000, CIPA provides coverage on an occurrence basis. The estimated amount of aggregate excess insurance recoverable on unpaid claims is deducted from the liability for unpaid claims. 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, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims 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 they are made.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

J. Unallocated Loss Adjustment Expenses

Unallocated loss adjustment expenses (ULAE) are the indirect expenses to settle claims. These expenses are primarily administration and claims handling expenses.

Accounting standards require that ULAE be included in financial statements and that they be calculated by actuarial methods. CIPA has determined that there is no liability for ULAE.

K. Operating Revenues

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Operating revenue includes member contributions, related fees, and assessments, which are an integral part of the operations and financing of the covered risks and activities. Nonoperating income includes material activities that are not part of the core risk financing activities of the entity. Investment income is classified as nonoperating income.

L. Contribution Income

Member contributions are collected in advance and recognized as revenues in the period for which insurance protection is provided. If CIPA's Board of Directors determines that the insurance funds for a program, including anticipated investment income, are insufficient to pay losses, the JPA may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed, however, the assessments are paid to CIPA over a ten-year period.

M. Excess Insurance

Excess liability insurance is purchased above CIPA's self-insured retention of \$2,000,000. For claims that would be covered under CIPA's liability memorandum of coverage, but not covered by an excess carrier, CIPA remains responsible for an uncovered claim up to \$5,000,000.

N. Income Taxes

CIPA's income is exempt from federal and state income taxes under Internal Revenue Code Section 115 and the corresponding section of the California Revenue and Taxation Code.

O. 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. These estimates and assumptions affect the reported amounts of 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 these estimates.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

P. Comparative Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in the CIPA's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the CIPA's financial statements for the year ended June 30, 2014, from which this selected financial data was derived.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Balance per bank	\$ 151,438	\$ 530,134
Less: Outstanding checks	(46,856)	(528,087)
Balance per books	104,582	2,047
Cash on hand	1,000	1,000
Cash on hand and in bank	105,582	3,047
Pooled funds:		
Cash in Local Agency Investment Fund	1,956,652	4,496,075
Money Market Funds	43,648	33,634
Total Cash and Equivalents	<u>2,105,882</u>	<u>4,532,756</u>
Pooled funds:		
Investments	30,844,485	28,524,105
Total Cash and Investments	<u>\$ 32,950,367</u>	<u>\$ 33,056,861</u>

A. Cash and Equivalents

Cash in Bank

The carrying amount of CIPA's cash is covered by Federal depository insurance up to \$250,000. As of June 30, 2015, CIPA's deposits were not exposed to custodial credit risks.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

**CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Local Agency Investment Fund

CIPA is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of CIPA's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon CIPA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis and reported as cash equivalents in the statement of net position. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. The value of the LAIF deposits as of June 30, 2015, was \$1,956,652 and had weighted average maturity of 239 days. It is not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

B. Investments

Authorized Deposits/Investments

Under provisions of CIPA's Investment Policy, and in accordance with Section 53600 of the California Government Code, CIPA may invest in the following types of investments:

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in Any One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	30%
Municipal Securities	5 years	None	5%
Banker's Acceptances	180 days	25%	5%
Commercial Paper	270 days	25%	5%
Certificates of Deposit - Negotiable	5 years	30%	5%
Certificates of Deposit - Non-negotiable	5 years	30%	5%
Corporate Notes	5 years	30%	5%
Mortgage Obligations/Asset Backed Securities	5 years	20%	5%
Money Market Mutual Funds	None	20%	10%
Local Agency Investment Fund	None	None*	None

*LAIF has a \$50 million maximum investment limit per account

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. CIPA's investment policy contains policy requirements that would limit the exposure to custodial credit risk for investments. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of CIPA's bank or other trustee. Securities are to be held in the name of CIPA, and are to be purchased on a delivery vs. payment (DVP) basis only. Investments with various federal agencies, commercial paper, mortgage obligations, asset backed securities, and corporate notes with a fair value of \$30,844,485 at June 30, 2015, are held by CIPA's custodian bank.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that CIPA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2015, CIPA had the following investments:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months
U.S. Treasury Obligations	\$ 6,537,660	\$ -	\$ 3,210,085	\$ 3,327,575
U.S. Agency Securities	13,907,415	2,342,671	3,667,787	7,896,957
Mortgage Obligations/Asset Backed Securities	1,774,670	-	94,939	1,679,731
Corporate Notes	7,630,952	1,699,662	1,345,618	4,585,672
Commercial Paper	993,788	993,788	-	-
Total	\$ 30,844,485	\$ 5,036,121	\$ 8,318,429	\$ 17,489,935

CIPA's investments are presented in the Statement of Net Position as follows:

	2015	2014
Short-Term Investments	\$ 5,036,121	\$ 6,729,018
Long-Term Investments	25,808,364	21,795,087
Total Investments	\$ 30,844,485	\$ 28,524,105

**CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and CIPA's investment policy, and the actual rating as of year-end for each investment type as rated by Moody's.

Investment Type	Fair Value	S&P/Moody's Minimum Legal Rating	Exempt from Disclosure	Ratings as of 6/30/2015				
				Aaa	Aa1-Aa3	A1	A2	P-1
U.S. Treasury Obligations	\$ 6,537,660	N/A	\$ 6,537,660	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency Securities	13,907,415	N/A	-	13,907,415	-	-	-	-
Mortgage Obligations/ Asset Backed Securities	1,774,670	AA/Aa2	-	1,774,670	-	-	-	-
Corporate Notes	7,630,952	A/A2	-	-	2,214,490	3,192,348	2,224,114	-
Commercial Paper	993,788	A/P-1	-	-	-	-	-	993,788
Total	\$ 30,844,485		\$ 6,537,660	\$ 15,682,085	\$ 2,214,490	\$ 3,192,348	\$ 2,224,114	\$ 993,788

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The investment policy of CIPA contains limitations on the amounts that can be invested in any one issuer. Investments in any one issuer that represent 5 percent or more of total CIPA investments are as follows:

Issuer	Investment Type	Fair Value
Federal Farm Credit Banks	U.S. Agency Securities	\$ 1,713,022
Federal Home Loan Banks	U.S. Agency Securities	3,064,466
FNMA	U.S. Agency Securities	4,647,036
FHLMC	U.S. Agency Securities	4,194,592

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015, consist of the following:

Interest income	\$ 1,914
Member assessments	3,191,081
Total Accounts Receivable	3,192,995
Member assessments considered long-term receivables	2,779,771
Short-term Accounts Receivable	\$ 413,224

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

Claims	\$ 7,390
Total Accounts Payable	<u>\$ 7,390</u>

NOTE 5 - RECONCILIATION OF CLAIMS LIABILITY

As discussed in Note 1, CIPA establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for CIPA during the fiscal year ended June 30:

	<u>2015</u>	<u>2014</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 16,580,296	\$ 16,425,590
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	3,754,762	3,407,015
Increase (decrease) in provision for insured events of prior fiscal years	<u>1,190,960</u>	<u>(548,317)</u>
Total incurred claims and claim adjustment expenses	<u>4,945,722</u>	<u>2,858,698</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>3,945,414</u>	<u>2,703,992</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 17,580,604</u>	<u>\$ 16,580,296</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Claims liability	\$ 17,580,604	\$ 16,580,296
Current portion	<u>(2,524,272)</u>	<u>(1,041,784)</u>
Total	<u>\$ 15,056,332</u>	<u>\$ 15,538,512</u>

At June 30, 2015 and 2014, estimated unpaid losses of \$19,348,122 and \$18,006,490, respectively, are reflected at their net present values of \$17,580,604 and \$16,580,296, respectively. At June 30, 2015 and 2014, unpaid losses are discounted at three percent.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Litigation

CIPA is involved in various litigation from time to time arising from the normal course of business. In the opinion of management and legal counsel, CIPA is not involved in any litigation that is expected to have a material adverse effect on the overall financial position of CIPA at June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF COVERAGE
JUNE 30, 2015

	Liability	
	Current Year	Prior Year
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 6,670,647	\$ 6,736,633
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	2,124,337	2,039,108
Increase (decrease) in provision for insured events of prior fiscal years	1,624,397	(429,143)
Total incurred claims and claim adjustment expenses	<u>3,748,734</u>	<u>1,609,965</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>2,942,205</u>	<u>1,675,951</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 7,477,176</u>	<u>\$ 6,670,647</u>

Workers' Compensation		Total	
Current Year	Prior Year	Current Year	Prior Year
\$ 9,909,649	\$ 9,688,957	\$ 16,580,296	\$ 16,425,590
1,630,425	1,367,907	3,754,762	3,407,015
(433,437)	(119,174)	1,190,960	(548,317)
1,196,988	1,248,733	4,945,722	2,858,698
1,003,209	1,028,041	3,945,414	2,703,992
<u>\$ 10,103,428</u>	<u>\$ 9,909,649</u>	<u>\$ 17,580,604</u>	<u>\$ 16,580,296</u>

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2015

The following table illustrates how CIPA's earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurance) and other expenses assumed by CIPA as of the end of each of the past years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurance, and net earned contribution revenue and reported investment revenue. (2) This line shows each fiscal year's other operating costs of CIPA including overhead and claims expense not allocable to individual claims. (3) This line shows CIPA's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurance, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called *policy year*). (4) This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year. (5) This line shows the latest re-estimated amount of claims assumed by excess insurance as of the end of the current year for each accident year. (6) This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known). (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION –
LIABILITY PROGRAM
JUNE 30, 2015

	2006	2007	2008	2009
(1) Required Contribution and Investment Revenue:				
Earned	\$ 5,184,800	\$ 6,443,763	\$ 6,031,019	\$ 5,284,065
Dividends	(2,257,125)	(1,909,032)	(1,537,535)	-
Ceded	(3,274,194)	(3,775,356)	(3,474,613)	(2,610,367)
Net earned	<u>(346,519)</u>	<u>759,375</u>	<u>1,018,871</u>	<u>2,673,698</u>
(2) Unallocated Expenses	<u>205,609</u>	<u>167,163</u>	<u>210,669</u>	<u>160,750</u>
(3) Estimated Claims and Expenses, End of Policy Year:				
Incurred	1,490,263	1,634,326	1,300,643	2,491,264
Ceded				
Net incurred	<u>1,490,263</u>	<u>1,634,326</u>	<u>1,300,643</u>	<u>2,491,264</u>
(4) Net Paid (cumulative as of):				
June 30, 2006	-	-	-	-
June 30, 2007	-	-	-	-
June 30, 2008	-	-	-	-
June 30, 2009	1,334,469	863,152	-	-
June 30, 2010	1,334,469	863,152	-	-
June 30, 2011	1,334,469	2,043,518	-	167,530
June 30, 2012	1,334,469	2,043,518	-	167,530
June 30, 2013	1,334,469	2,043,518	-	167,530
June 30, 2014	1,334,469	2,043,518	86,078	167,530
June 30, 2015	1,334,469	2,046,268	86,337	311,728
(5) Re-Estimated Ceded Claims and Expenses				
(6) Re-Estimated Net Incurred Claims and Expenses:				
June 30, 2006	1,490,263	-	-	-
June 30, 2007	1,327,129	1,634,326	-	-
June 30, 2008	2,933,675	2,338,484	1,300,643	-
June 30, 2009	1,334,469	1,576,230	1,324,884	2,491,264
June 30, 2010	1,334,469	2,752,648	895,025	1,842,185
June 30, 2011	1,334,469	2,043,518	481,879	2,005,301
June 30, 2012	1,334,469	2,043,518	174,234	803,316
June 30, 2013	1,334,469	2,043,518	-	167,530
June 30, 2014	1,334,469	2,043,518	86,078	251,125
June 30, 2015	1,334,469	2,046,268	97,547	492,433
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	<u>\$ 155,794</u>	<u>\$ (411,942)</u>	<u>\$ 1,203,096</u>	<u>\$ 1,998,831</u>

2010	2011	2012	2013	2014	2015
\$ 5,300,698	\$ 6,233,743	\$ 5,002,193	\$ 4,773,505	\$ 5,934,271	\$ 5,505,079
(482,930)	(421,547)	(421,548)	(421,549)	(482,930)	(482,930)
(2,872,267)	(2,653,752)	(3,026,555)	(2,989,114)	(3,281,099)	(3,301,185)
1,945,501	3,158,444	1,554,090	1,362,842	2,170,242	1,720,964
184,739	184,975	231,102	232,446	195,955	225,700
1,313,205	2,647,225	1,664,749	1,990,342	2,039,108	2,124,337
1,313,205	2,647,225	1,664,749	1,990,342	2,039,108	2,124,337
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	433,532	-	-	-	-
184,698	433,532	-	-	-	-
358,147	2,156,064	21,799	-	-	-
467,934	3,076,502	1,847,035	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,313,205	-	-	-	-	-
610,869	2,647,225	-	-	-	-
1,078,417	3,651,306	1,654,749	-	-	-
1,123,251	3,407,276	1,317,569	1,990,342	-	-
847,006	3,761,321	1,553,266	1,309,025	2,039,108	-
1,219,669	3,408,348	2,514,214	1,599,713	2,277,242	2,124,337
\$ 93,536	\$ (761,123)	\$ (849,465)	\$ 390,629	\$ (238,134)	\$ -

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION –
WORKERS' COMPENSATION PROGRAM
JUNE 30, 2015

	2006	2007	2008	2009
(1) Required Contribution and Investment Revenue:				
Earned	\$ 1,647,264	\$ 2,074,549	\$ 2,044,712	\$ 1,848,379
Ceded	(282,461)	(423,481)	(368,016)	(333,662)
Net earned	<u>1,364,803</u>	<u>1,651,068</u>	<u>1,676,696</u>	<u>1,514,717</u>
(2) Unallocated Expenses	<u>109,025</u>	<u>145,339</u>	<u>276,754</u>	<u>164,922</u>
(3) Estimated Claims and Expenses, End of Policy Year:				
Incurred	1,222,929	939,804	793,412	611,258
Ceded	-	-	-	-
Net incurred	<u>1,222,929</u>	<u>939,804</u>	<u>793,412</u>	<u>611,258</u>
(4) Net Paid (cumulative as of):				
June 30, 2006	-	-	-	-
June 30, 2007	-	-	-	-
June 30, 2008	-	18,207	-	-
June 30, 2009	-	191,328	-	-
June 30, 2010	-	296,144	-	-
June 30, 2011	-	453,138	10,867	-
June 30, 2012	-	562,696	42,691	-
June 30, 2013	-	656,496	84,261	17,434
June 30, 2014	-	978,807	116,266	311,071
June 30, 2015	20,528	1,257,541	190,010	705,413
(5) and Expenses				
(6) Re-Estimated Net Incurred Claims and Expenses:				
June 30, 2006	1,222,929	-	-	-
June 30, 2007	834,833	939,804	-	-
June 30, 2008	211,616	1,306,876	793,412	-
June 30, 2009	98,877	1,181,824	482,925	611,268
June 30, 2010	32,019	1,381,160	173,200	382,870
June 30, 2011	18,555	1,353,055	454,861	1,563,216
June 30, 2012	17,307	1,165,912	542,909	3,334,101
June 30, 2013	497,283	1,280,003	398,828	2,810,023
June 30, 2014	509,860	1,286,919	488,006	2,151,159
June 30, 2015	393,886	1,952,630	581,452	1,862,782
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	<u>\$ 829,043</u>	<u>\$ (1,012,826)</u>	<u>\$ 211,960</u>	<u>\$ (1,251,524)</u>

2010	2011	2012	2013	2014	2015
\$ 1,637,996	\$ 2,456,590	\$ 2,300,450	\$ 1,696,012	\$ 2,057,613	\$ 3,801,453
(342,476)	(242,957)	(203,397)	(426,307)	(406,157)	(458,363)
<u>1,295,520</u>	<u>2,213,633</u>	<u>2,097,053</u>	<u>1,269,705</u>	<u>1,651,456</u>	<u>3,343,090</u>
145,681	147,301	156,249	135,295	139,883	151,775
620,509	2,694,249	1,306,328	862,234	1,367,907	1,630,425
-	-	-	-	-	-
<u>620,509</u>	<u>2,694,249</u>	<u>1,306,328</u>	<u>862,234</u>	<u>1,367,907</u>	<u>1,630,425</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	43,333	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
620,509	-	-	-	-	-
1,117,853	2,694,249	-	-	-	-
1,016,334	1,019,759	1,306,328	-	-	-
669,442	880,057	871,245	862,234	-	-
637,175	732,173	1,207,638	1,162,429	1,367,907	-
655,103	766,770	984,359	876,466	921,243	1,630,425
<u>\$ (34,594)</u>	<u>\$ 1,927,479</u>	<u>\$ 321,969</u>	<u>\$ (14,232)</u>	<u>\$ 446,664</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Liability	Workers' Compensation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 231,593	\$ 1,874,289	\$ 2,105,882
Receivables	248,717	164,507	413,224
Short-term investments	3,080,997	1,955,124	5,036,121
Total Current Assets	<u>3,561,307</u>	<u>3,993,920</u>	<u>7,555,227</u>
Noncurrent Assets			
Receivables	1,079,332	1,700,439	2,779,771
Investments	15,789,040	10,019,324	25,808,364
Total Noncurrent Assets	<u>16,868,372</u>	<u>11,719,763</u>	<u>28,588,135</u>
Total Assets	<u>20,429,679</u>	<u>15,713,683</u>	<u>36,143,362</u>
LIABILITIES			
Current Liabilities			
Accounts payable	6,265	1,125	7,390
Due members	-	252,150	252,150
Dividends payable	482,930	-	482,930
Current portion of unpaid claims and claim adjustment expenses	1,456,311	1,067,961	2,524,272
Total Current Liabilities	<u>1,945,506</u>	<u>1,321,236</u>	<u>3,266,742</u>
Unpaid claims and claim adjustment expenses, noncurrent portion	6,020,865	9,035,467	15,056,332
Total Liabilities	<u>7,966,371</u>	<u>10,356,703</u>	<u>18,323,074</u>
NET POSITION			
Unrestricted	12,463,308	5,356,980	17,820,288
Total Net Position	<u>\$ 12,463,308</u>	<u>\$ 5,356,980</u>	<u>\$ 17,820,288</u>

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Liability	Workers' Compensation	Total
OPERATING REVENUES			
Contributions	\$ 5,272,750	\$ 2,450,887	\$ 7,723,637
Contributions assessments	-	1,211,255	1,211,255
Excess insurance	(1,290,585)	(458,363)	(1,748,948)
Joint purchase insurance	(2,010,600)	-	(2,010,600)
	1,971,565	3,203,779	5,175,344
Other	125	125	250
Total Operating Revenues	<u>1,971,690</u>	<u>3,203,904</u>	<u>5,175,594</u>
OPERATING EXPENSES			
Claims paid	2,942,205	1,003,209	3,945,414
Provision for loss reserves	806,529	193,779	1,000,308
Litigation management	1,260	-	1,260
Risk management services	108,095	108,095	216,190
	3,858,089	1,305,083	5,163,172
Administration expenses	116,345	43,680	160,025
Dividends	482,930	-	482,930
Total Operating Expenses	<u>4,457,364</u>	<u>1,348,763</u>	<u>5,806,127</u>
Operating Income (loss)	(2,485,674)	1,855,141	(630,533)
NONOPERATING REVENUES			
Investment earnings net of fees	232,329	139,311	371,640
INCREASE (DECREASE) IN NET POSITION	(2,253,345)	1,994,452	(258,893)
NET POSITION, BEGINNING OF YEAR	<u>14,716,653</u>	<u>3,362,528</u>	<u>18,079,181</u>
NET POSITION, END OF YEAR	<u>\$ 12,463,308</u>	<u>\$ 5,356,980</u>	<u>\$ 17,820,288</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
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
California Insurance Pool Authority
Newport Beach, California

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 California Insurance Pool Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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.



Laguna Hills, California

October 16, 2015

**CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2015**

None reported.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015

None reported.