

# Financial Statements

California Joint Powers Insurance Authority  
Fiscal Years Ended June 30, 2015 and 2014



INTEGRITY

EXCELLENCE

INNOVATION

TEAMWORK

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Financial Statements**

Fiscal Years Ended June 30, 2015 and 2014

(With Independent Auditor's Report Therein)

## Table of Contents

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report   | 1           |
| Management's Discussion and Analysis                                       | 4           |
| Basic Financial Statements   |             |
| Statement of Net Position  | 14          |
| Statement of Revenues, Expenses and Changes in Net Position                | 15          |
| Statement of Cash Flows  | 16          |
| Statement of Fiduciary Assets and Liabilities                              | 17          |
| Notes to the Basic Financial Statements                                    | 18          |
| Required Supplementary Information   |             |
| Schedule of Proportionate Share of the Net Pension Liability               | 48          |
| Schedule of Pension Contributions  | 49          |
| OPEB Schedule of Funding Progress  | 50          |
| Reconciliation of Claims Payable by Type of Contract                       | 51          |
| Schedule of Ten-Year Claims Development Information: Liability             | 52          |
| Schedule of Ten-Year Claims Development Information: Workers' Compensation | 53          |
| Notes to Required Supplementary Information                                | 54          |
| Supplementary Information  |             |
| Graphical Summary of Claim Liabilities                                     | 56          |
| Schedule of Net Position by Program  | 57          |
| Schedule of Revenues, Expenses and Changes in Net Position by Program      | 58          |



## James Marta & Company LLP

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

---

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
California Joint Powers Insurance Authority  
La Palma, California

#### **Report on the Financial Statements**

We have audited the accompanying Statement of Net Position of California Joint Powers Insurance Authority (Authority) as of June 30, 2015 and 2014 and the aggregate remaining fund information and the related Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows for the years then ended and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 California Joint Powers Insurance Authority as of June 30, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents 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 (GASB) 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 principally 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 basic financial statements of the Authority. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as listed in the table of contents is fairly stated in all material respects in relation to the financial statements as a whole.

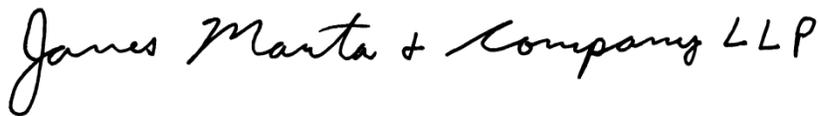
### *Change in Accounting Principle*

As discussed in Note 11 to the financial statements, in 2015 the Authority adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contribution Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The Authority has not restated the actual and pro forma effect of the Statements on the financial statements as of and for the year ended June 30, 2014. This data is not readily available due to an actuary study not being prepared in accordance with GASB 68 for measurement dates prior to June 30, 2014. Our opinion is not modified with respect to this matter.

The effects of this restatement are described in Note 8 to the basic financial statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016 on our consideration of California Joint Powers Insurance Authority'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 the 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 California Joint Powers Insurance Authority's internal control over financial reporting and compliance.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 18, 2016

## Management's Discussion and Analysis

As management of the California Joint Powers Insurance Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2015. This report is provided in order to enhance the information in the financial statements, and should be reviewed in concert with them, as well as the accompanying notes and supplementary information.

### Background and Governance

The Authority was created in 1977 under a joint exercise of powers agreement with thirty-three members in accordance with the California Government Code Section 6500, et seq. As of June 30, 2015 the Authority consisted of one hundred nineteen participating member agencies including ninety-seven cities, fifteen joint powers authorities, and seven special districts. The Authority was created to provide programs to protect its members, their officers, employees, and property against unavoidable losses through pooling of losses, self-insurance, and purchasing insurance. The Authority is governed by a Board of Directors, consisting of one member of the governing body of each member agency, and by an Executive Committee of the Board of Directors.

### Financial Highlights, Fiscal Year 2015

- Operating revenues decreased -10.5% to \$79.1 million
- Operating expenses decreased -5.9% to \$78.9 million
- Incurred claims expenses decreased -10.4% to \$49.3 million
- Excess and reinsurance premiums increased +0.5% to \$15.8 million
- Beginning net position was restated: reduced by \$3.1 million, due to the pension liability
- Prior to the restatement, the change in net position was +3.8% to \$102.4 million
- After the restatement, the change in net position was +0.7% to \$99.3 million

### Financial Summary by Program

#### *Liability*

During 2015 the liability program's net position decreased by \$2.4 million, driven primarily by an increase in claim reserves, coupled with a decrease in contributions. Ultimate claim costs have remained fairly flat in the liability program for most open coverage years with the exception of the 2014 coverage year, which experienced an increase of \$4.9 million or 16.7%. However, there were off-sets from older coverage years that experienced a reduction, most notably 2012 and 2013, which had ultimate claim costs marked down by a combined \$5.1 million by the actuary, based on the last 12 months of development. The 2014 coverage year, which had a spike in reserves, is not subject to routine annual retrospective adjustment, as a result most members who participate in the liability program received a retrospective refund. On a net basis \$5.6 million was refunded to members.

#### *Workers' Compensation*

The net position of the workers' compensation program increased by \$5.6 million from a beginning balance of \$23.2 million to an ending balance of \$28.8 million. Claim payments were

down -7.9% year over year, and aggregate claim reserves were relatively flat. Ultimate claim costs for older coverage years (2013 and prior) have remained relatively stable; however, 2014 experienced a reduction relative to prior estimates. Ultimate claim costs for 2014 decreased by \$1.8 million or -7.8%.

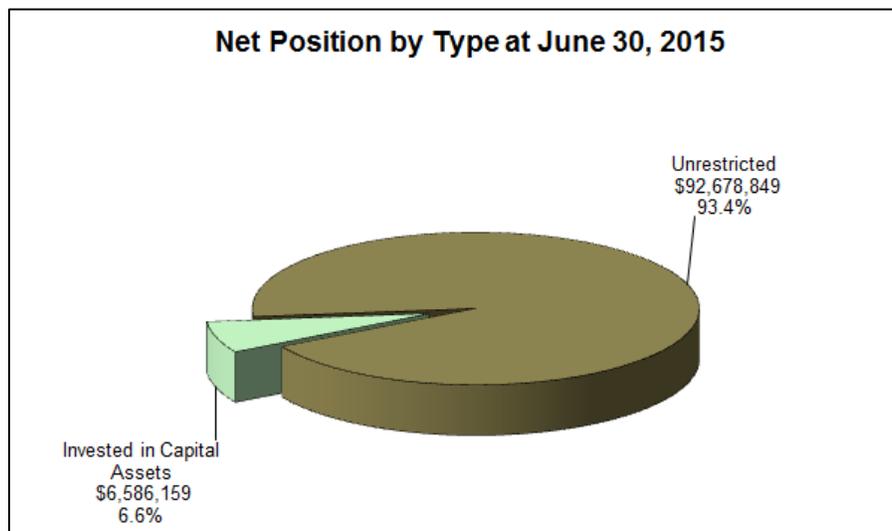
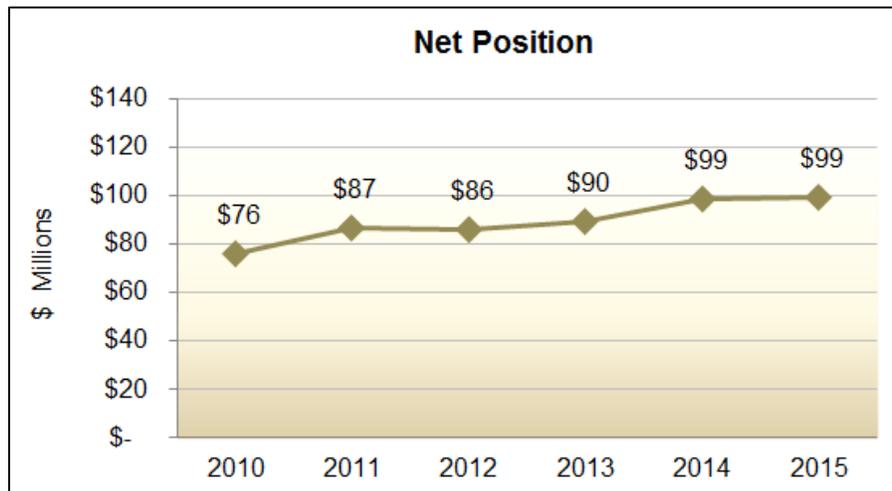
*Insurance Programs*

Insurance programs include the all-risk property protection program, and the pollution legal liability program. The net position of insurance programs increased in 2015 by \$606,975 to \$3.4 million.

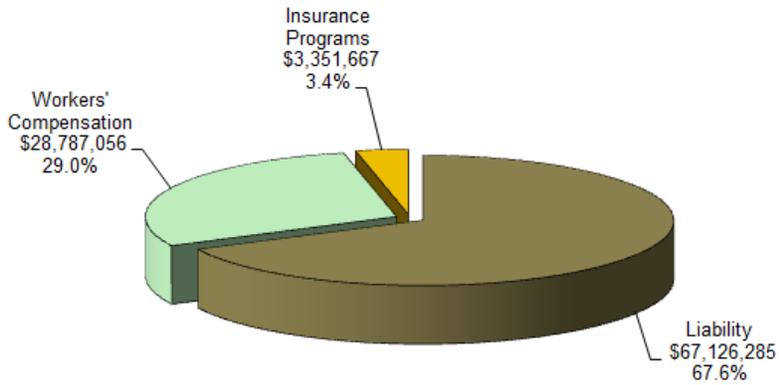
*Agency Funds*

The Agency Fund accounts for assets and liabilities of the Central Coast Cities Self Insurance Fund for Workers' Compensation, which was established for tail claims occurring before July 1, 2004. Agency funds are included in this report on the Statement of Fiduciary Assets and Liabilities and in footnote 10.

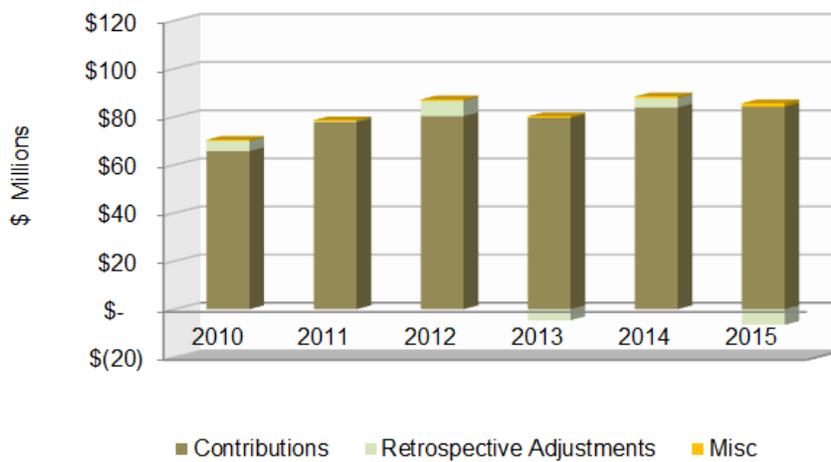
**Graphical Highlights**



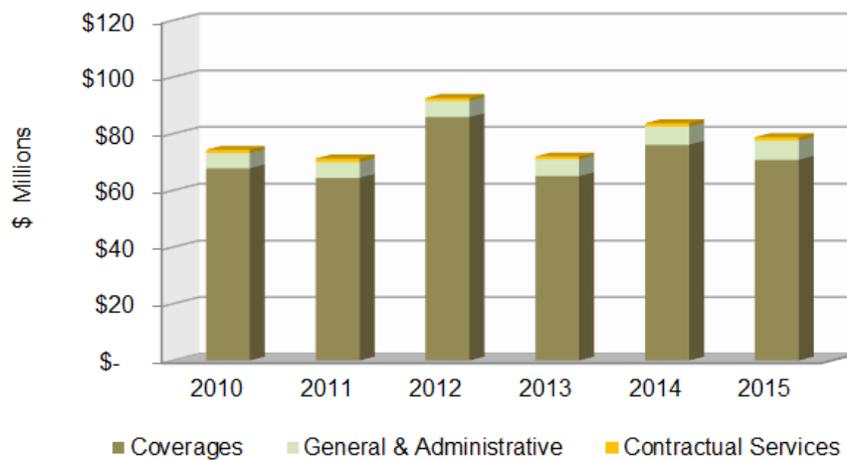
### Net Position by Fund at June 30, 2015



### Operating Revenues



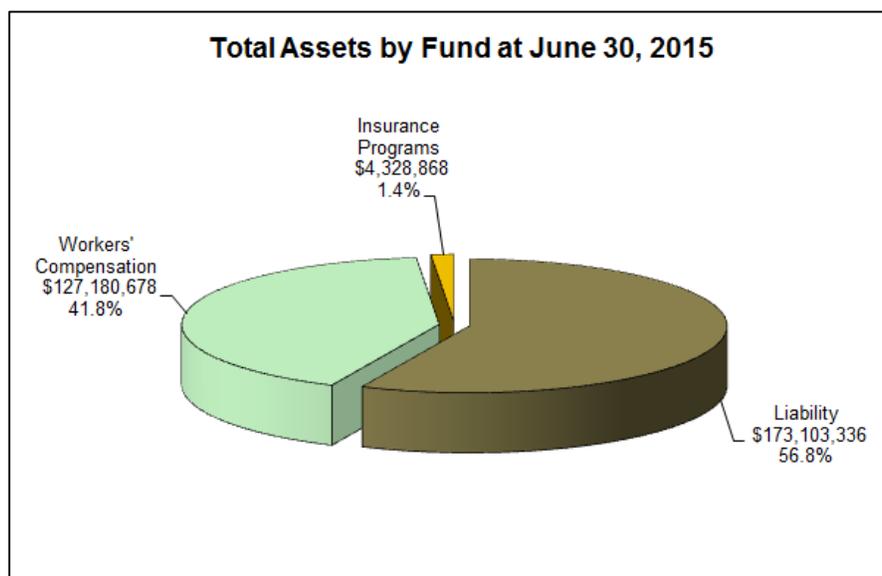
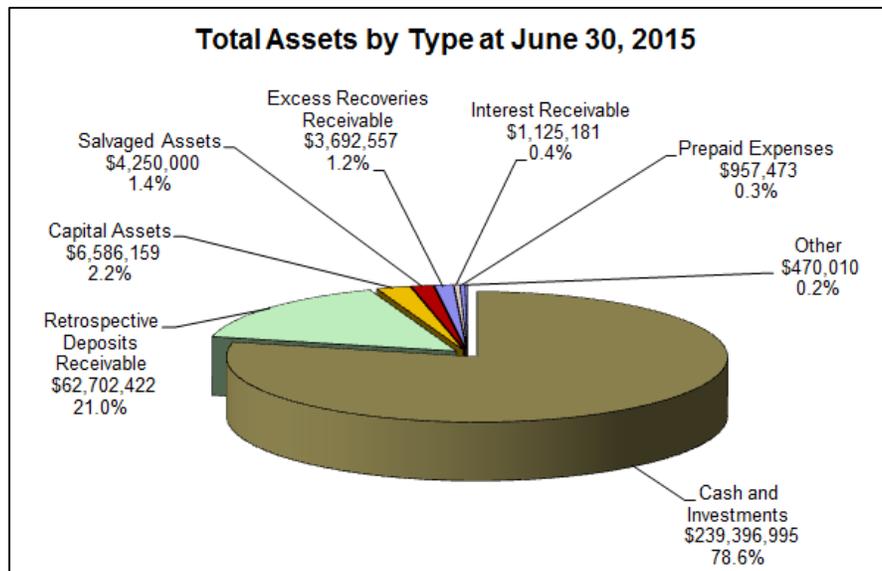
### Operating Expenses

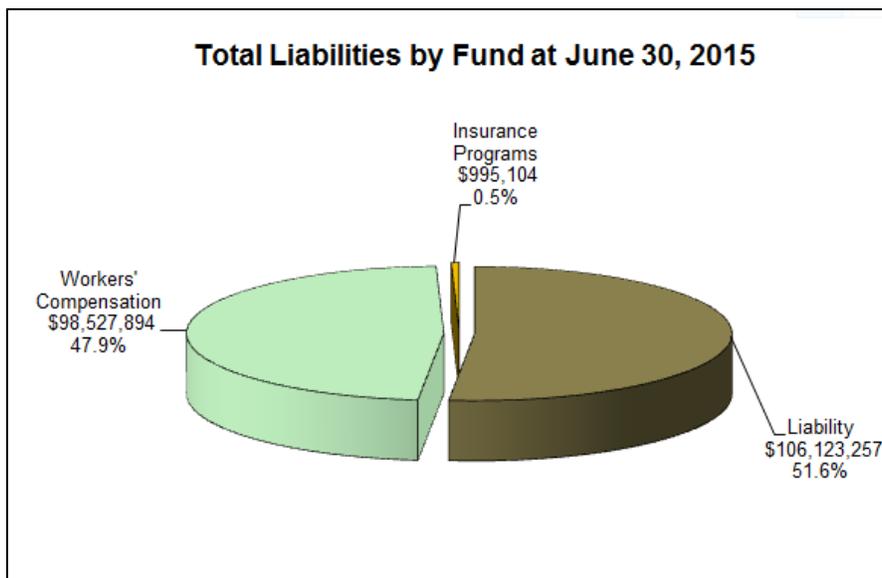
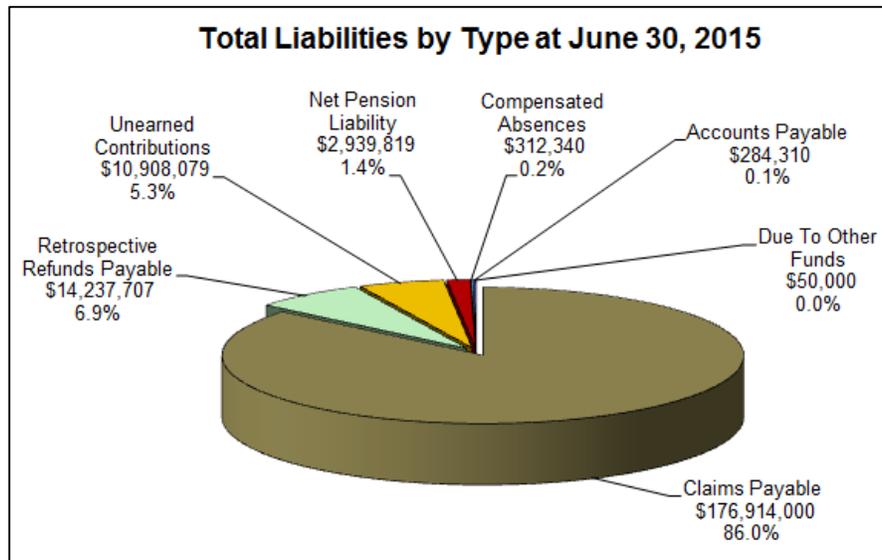


Total operating expenses were \$78.9 million in 2015, which was a -5.9% decrease from the prior year. The most significant contributing factor to the decrease was lower claim reserves needed for the workers' compensation program. Operating expenses are divided into the following categories: (1) coverages, (2) general and administrative, and (3) contractual services. Incurred claims expenses are composed of net claim payments as well as the change in claim reserves as determined by an independent actuary.

Excess and reinsurance premiums are a significant part of the cost of coverage. In 2015 the Authority paid \$16.4 million in excess and reinsurance premiums for all coverage programs, including the property insurance program, which represented no material change from the prior year. On a consolidated basis, 2015 coverage expenses totaled \$70.8 million.

Total assets as of June 30, 2015 were \$304.6 million. Cash and investments made up 78.6% of the assets, while retrospective deposits receivable from members made up 15.8%. Footnote 5 provides more detailed information on retrospective deposit balances.





## Net Position Designations

### *Net Investment in Capital Assets*

“Net investment in capital assets” is the designation for fixed assets including land, buildings, office equipment, and software qualified under GASB 51 guidelines. Items subject to depreciation are reported net of depreciation on the Statement of Net Position.

### *Unrestricted*

“Unrestricted” is the designation for the liability of incurred claims in excess of the expected probability level. Unrestricted net position may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Summary of the**  
**Statement of Net Position**  
**June 30, 2015, 2014, and 2013**

|   | 2015                 | 2014                 | 2013                 | Increase / (Decrease)<br>From 2014 to 2015 |             |
|---|----------------------|----------------------|----------------------|--|-------------|
|   |                      |                      |                      | \$   | %           |
| <b>Assets</b>                                   |                      |                      |                      |  |             |
| Current Assets                                  | \$ 37,673,290        | \$ 25,749,865        | \$ 55,047,767        | \$ 11,923,425                              | 46.3%       |
| Non-Current Assets,<br>excluding capital assets | 260,353,433          | 266,595,669          | 215,814,991          | (6,242,236)                                | -2.3%       |
| Capital Assets                                  | 6,586,159            | 5,911,114            | 5,616,976            | 675,045                                    | 11.4%       |
| <b>Total Assets</b>                             | <b>304,612,882</b>   | <b>298,256,648</b>   | <b>276,479,734</b>   | <b>6,356,234</b>                           | <b>2.1%</b> |
| Deferred Outflows of Resources                  | 1,081,270            | -                    | -                    | 1,081,270                                  |             |
| <b>Liabilities</b>                              |                      |                      |                      |  |             |
| Current Liabilities                             | 80,792,436           | 69,479,359           | 72,197,466           | 11,313,077                                 | 16.3%       |
| Non-Current Liabilities                         | 124,853,819          | 130,182,463          | 114,755,583          | (5,328,644)                                | -4.1%       |
| <b>Total Liabilities</b>                        | <b>205,646,255</b>   | <b>199,661,822</b>   | <b>186,953,049</b>   | <b>5,984,433</b>                           | <b>3.0%</b> |
| Deferred Inflows of Resources                   | 782,889              | -                    | -                    | 782,889                                    |             |
| <b>Net Position</b>                             |                      |                      |                      |  |             |
| Net Investment in Capital Assets                | 6,586,159            | 5,911,114            | 5,616,976            | 675,045                                    | 11.4%       |
| Unrestricted                                    | 92,678,849           | 92,683,712           | 83,909,709           | (4,863)                                    | 0.0%        |
| <b>Total Net Position</b>                       | <b>\$ 99,265,008</b> | <b>\$ 98,594,826</b> | <b>\$ 89,526,685</b> | <b>\$ 670,182</b>                          | <b>0.7%</b> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Summary of the**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2015, 2014, and 2013**

|  | 2015                 | 2014                 | 2013                 | Increase / (Decrease)<br>From 2014 to 2015 |               |
|--|----------------------|----------------------|----------------------|--|---------------|
|  |                      |                      |                      | \$   | %             |
| <b>Operating Revenues</b>                              |                      |                      |                      |  |               |
| Contributions  | \$ 84,087,407        | \$ 83,854,253        | \$ 79,506,364        | \$ 233,154                                 | 0.3%          |
| Retrospective adjustments, net                         | (6,494,738)          | 3,906,537            | (4,561,894)          | (10,401,275)                               | -266.3%       |
| Miscellaneous  | 1,530,123            | 670,766              | 676,093              | 859,357                                    | 128.1%        |
| <b>Total Operating Revenues</b>                        | <b>79,122,792</b>    | <b>88,431,556</b>    | <b>75,620,563</b>    | <b>(9,308,764)</b>                         | <b>-10.5%</b> |
| <b>Operating Expenses</b>                              |                      |                      |                      |  |               |
| Coverages  | 70,810,381           | 76,131,437           | 65,039,284           | (5,321,056)                                | -7.0%         |
| Contractual services                                   | 1,254,594            | 1,160,418            | 994,985              | 94,176                                     | 8.1%          |
| General and administrative                             | 6,793,705            | 6,470,748            | 5,979,848            | 322,957                                    | 5.0%          |
| <b>Total Operating Expenses</b>                        | <b>78,858,680</b>    | <b>83,762,603</b>    | <b>72,014,117</b>    | <b>(4,903,923)</b>                         | <b>-5.9%</b>  |
| <b>Operating Income (Loss)</b>                         | <b>264,112</b>       | <b>4,668,953</b>     | <b>3,606,446</b>     | <b>(4,404,841)</b>                         | <b>-94.3%</b> |
| <b>Non-Operating Revenues</b>                          |                      |                      |                      |  |               |
| Investment income                                      | 3,467,077            | 3,974,988            | 3,938,425            | (507,911)                                  | -12.8%        |
| Net increase / (decrease) in<br>investment fair values | 63,250               | 424,200              | (3,844,814)          | (360,950)                                  | -85.1%        |
| <b>Total Non-Operating Revenues</b>                    | <b>3,530,327</b>     | <b>4,399,188</b>     | <b>93,611</b>        | <b>(868,861)</b>                           | <b>-19.8%</b> |
| <b>Change in Net Position</b>                          | <b>3,794,439</b>     | <b>9,068,141</b>     | <b>3,700,057</b>     | <b>(5,273,702)</b>                         | <b>-58.2%</b> |
| <b>Beginning Net Position as Originally Stated</b>     | <b>98,594,826</b>    | <b>89,526,685</b>    | <b>85,826,628</b>    | <b>9,068,141</b>                           | <b>10.1%</b>  |
| <b>Prior Period Adjustment</b>                         | <b>(3,124,257)</b>   |                      |                      | <b>(3,124,257)</b>                         |               |
| <b>Beginning Net Position as Restated</b>              | <b>95,470,569</b>    |                      |                      | <b>95,470,569</b>                          |               |
| <b>Ending Net Position</b>                             | <b>\$ 99,265,008</b> | <b>\$ 98,594,826</b> | <b>\$ 89,526,685</b> | <b>\$ 670,182</b>                          | <b>0.7%</b>   |

## **Description of the Basic Financial Statements**

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, using the accrual basis of accounting, which necessarily include amounts based upon reliable estimates and judgments. The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Basic Financial Statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Statement of Fiduciary Assets and Liabilities, are included along with Notes to the Basic Financial Statements and Supplementary Information to clarify unique accounting policies and financial information. Both the Notes to the Basic Financial Statements and the Supplementary Information are essential to a comprehensive understanding of this report.

### Statement of Net Position

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of the pool's financial condition.

### Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing revenues versus expenses during the fiscal year, and the resulting effect on the net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Some revenues and expenses are reported in this statement with related cash flows that will take place in future fiscal periods.

### Statement of Cash Flows

The Statement of Cash Flows presents information showing how the Authority's cash was provided and how it was used. The statement distinguishes between cash flows from: operating activities, capital and related financing activities, and investing activities. The statement also reconciles the operating income to net cash provided by operating activities during the fiscal year.

### Statement of Fiduciary Assets and Liabilities

The Statement of Fiduciary Assets and Liabilities presents information on all the assets and liabilities of the Authority's agency funds. Agency funds are used to account for situations where the Authority's role is purely custodial. All assets reported in agency funds are offset by a liability, accordingly there is no net position reported for agency funds.

## **Financial Management and Control**

Authority management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, and misuse, and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with accounting principles generally accepted in the United States.

The Authority's Finance Division consists of a Finance Director, a Financial Analyst and a Senior Accountant who are responsible for the primary functions of accounting for the Authority. The Treasurer and the Chief Executive Officer provide oversight.

## **Facts or conditions that are expected to have a significant effect on financial position or results of operations**

GASB 68 became effective this year which requires the reporting of unfunded pension liabilities. The Authority participates in CalPERS and has retirement enhancement plans through PARS as well. On a blended net basis the total pension obligation was 76% funded at fiscal year-end. The pension obligation was \$12 million according to actuarial estimates, and current plan assets totaled \$9 million, leaving an unfunded liability of approximately \$3 million.

## **Cost Containment Strategies**

The Authority considers cost containment to be a high priority, as evidenced by the implementation of innovative cost containment programs designed to assist member agencies in preventing claims, and minimizing the cost of claims when they do occur.

The Authority regards training as an integral component of loss prevention and offers a robust training program to its members including academies, workshops, and web-based training. Academies are multi-day training opportunities that focus on a particular public sector discipline. They present essential theories and techniques, and provide practical risk management solutions to public agency managers and elected officials. Workshops generally offer single-day trainings with an emphasis on meeting Cal-OSHA requirements and instruction on best risk management practices covering a wide variety of topics.

The Loss Control Action Plan (LossCAP) is another valuable tool that assists members in reducing the cost of risk. LossCAP is a comprehensive, customized risk management action plan developed in collaboration with each agency's staff. It is based on an analysis of historical claims and their root causes, as well as physical on-site inspections. LossCAP identifies the most critical loss exposures unique to each member, and maps out strategies to assist them in effectively addressing those exposures. The action plan is administered by one of five regional risk managers located throughout the state to assist members on a regular basis.

The workers' compensation program contains a series of cost containment mechanisms including a process for screening high-risk cases, pharmacy benefit management, utilization review, and bill review. Authority staff reviews lost time claims at four week intervals, high exposure losses quarterly, and litigated cases annually.

To encourage the development and implementation of law enforcement policies conducive to loss prevention and positive litigation outcomes, the Authority provides for member participation in law enforcement policy manual subscription services. These services monitor and update policy language based on recent legislation, best practices, field incidents, regulatory agencies, consent decrees, court rulings and other influences that impact law enforcement operations.

In addition to the aforementioned items, the Authority's liability program provides continuous consulting support in a variety of ways to help members lower risk exposures. The employment intervention assistance program provides a resource for members to contact the Liability Program Manager prior to making key employment-related decisions, thereby avoiding unnecessary exposure to employment practice claims. The Authority then offers guidance, along with assistance from legal counsel, by partnering with members to interject valuable risk management considerations into the decision-making process. In some instances, a resolution is negotiated early and litigation is avoided altogether.

Ancillary insurance programs which further assist members with cost containment are the continuity of operations program and quite zone coverage.

Lastly, the Authority's website allows members to report critical incidents even before a claim is filed, which enables early investigation and analysis of potential exposures. This advance preparation has effectively reduced response times in situations where claims were subsequently filed. It also helps adjusters and Authority staff to streamline critical aspects of the claim administration process, since material facts relevant to these cases are identified and evaluated early.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Statement of Net Position**  
**June 30, 2015 and 2014**

|                                       | 2015                 | 2014                 |
|---------------------------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                      |
| Current Assets:                       |                      |                      |
| Cash and equivalents                  | \$ 12,531,540        | \$ 11,003,942        |
| Short-term investments                | 3,749,408            | 8,222,866            |
| Interest receivable                   | 1,125,181            | 1,020,043            |
| Retrospective deposits receivable     | 15,199,750           | 3,118,882            |
| Contributions receivable              | 361,917              | 32,554               |
| Accounts receivable                   | 55,464               | 3,995                |
| Excess recoveries in progress         | 3,692,557            | 2,124,595            |
| Prepaid expenses                      | 957,473              | 222,988              |
| <b>Total Current Assets</b>           | <b>37,673,290</b>    | <b>25,749,865</b>    |
| Non-Current Assets:                   |                      |                      |
| Long-term investments                 | 223,116,047          | 202,762,129          |
| Retrospective deposits receivable     | 32,934,757           | 59,583,540           |
| Salvaged assets                       | 4,250,000            | 4,250,000            |
| Capital assets, not being depreciated | 3,745,288            | 2,841,062            |
| Capital assets, net of depreciation   | 2,840,871            | 3,070,052            |
| Net pension assets                    | 52,629               | -                    |
| <b>Total Non-Current Assets</b>       | <b>266,939,592</b>   | <b>272,506,783</b>   |
| <b>Total Assets</b>                   | <b>304,612,882</b>   | <b>298,256,648</b>   |
| Deferred Outflows of Resources        | 1,081,270            | -                    |
| <b>Liabilities</b>                    |                      |                      |
| Current Liabilities:                  |                      |                      |
| Accounts payable                      | 334,310              | 553,294              |
| Compensated absences                  | 312,340              | 263,295              |
| Unearned contributions                | 10,908,079           | 13,124,434           |
| Retrospective refunds payable         | 14,237,707           | 538,336              |
| Claims payable, short-term            | 55,000,000           | 55,000,000           |
| <b>Total Current Liabilities</b>      | <b>80,792,436</b>    | <b>69,479,359</b>    |
| Non-Current Liabilities:              |                      |                      |
| Retrospective refunds payable         | -                    | 14,629,463           |
| Claims payable, long-term             | 121,914,000          | 115,553,000          |
| Net pension liability                 | 2,939,819            | -                    |
| <b>Total Non-Current Liabilities:</b> | <b>124,853,819</b>   | <b>130,182,463</b>   |
| <b>Total Liabilities</b>              | <b>205,646,255</b>   | <b>199,661,822</b>   |
| Deferred Inflows of Resources         | 782,889              | -                    |
| <b>Net Position</b>                   |                      |                      |
| Net investment in capital assets      | 6,586,159            | 5,911,114            |
| Unrestricted                          | 92,678,849           | 92,683,712           |
| <b>Total Net Position</b>             | <b>\$ 99,265,008</b> | <b>\$ 98,594,826</b> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

|  | 2015                 | 2014                 |
|--|----------------------|----------------------|
| <b>Operating Revenues</b>                            |                      |                      |
| Contributions  | \$ 84,087,407        | \$ 83,854,253        |
| Retrospective adjustments, net                       | (6,494,738)          | 3,906,537            |
| Miscellaneous income                                 | 1,530,123            | 670,766              |
| <b>Total Operating Revenues</b>                      | <b>79,122,792</b>    | <b>88,431,556</b>    |
| <b>Operating Expenses</b>                            |                      |                      |
| Coverages:   |                      |                      |
| Incurred claims expenses                             | 49,269,957           | 54,974,657           |
| Claims administration                                | 5,105,374            | 4,814,541            |
| Excess and re-insurance premiums                     | 16,435,050           | 16,342,239           |
| Contractual Services:                                |                      |                      |
| Legal services                                       | 115,080              | 125,991              |
| Investment and bank services                         | 195,041              | 191,261              |
| Information technology support                       | 237,920              | 167,041              |
| Risk management evaluations                          | 70,424               | 55,010               |
| Loss control services                                | 63,608               | 209,495              |
| Audit services                                       | 82,804               | 84,114               |
| Actuarial services                                   | 61,234               | 64,395               |
| Other contractual services                           | 428,483              | 263,111              |
| General and Administrative:                          |                      |                      |
| Salaries and employee benefits                       | 4,043,193            | 4,195,668            |
| Office expenses                                      | 350,136              | 216,630              |
| Member training and meetings                         | 1,602,181            | 1,259,658            |
| Risk management educational forum                    | 314,469              | 260,091              |
| Depreciation   | 255,333              | 255,319              |
| Utilities and Miscellaneous expenses                 | 228,393              | 283,382              |
| <b>Total Operating Expenses</b>                      | <b>78,858,680</b>    | <b>83,762,603</b>    |
| <b>Operating Income (Loss)</b>                       | <b>264,112</b>       | <b>4,668,953</b>     |
| <b>Non-Operating Revenues</b>                        |                      |                      |
| Investment income                                    | 3,467,077            | 3,974,988            |
| Net increase (decrease) in<br>investment fair values | 63,250               | 424,200              |
| <b>Total Non-Operating Revenues</b>                  | <b>3,530,327</b>     | <b>4,399,188</b>     |
| <b>Change in Net Position</b>                        | <b>3,794,439</b>     | <b>9,068,141</b>     |
| <b>Beginning Net Position as Originally Stated</b>   | <b>98,594,826</b>    | <b>89,526,685</b>    |
| <b>Prior Period Adjustment</b>                       | <b>( 3,124,257 )</b> |                      |
| <b>Beginning Net Position as Restated</b>            | <b>95,470,569</b>    |                      |
| <b>Ending Net Position</b>                           | <b>\$ 99,265,008</b> | <b>\$ 98,594,826</b> |

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

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

|   | 2015          | 2014          |
|---|---------------|---------------|
| <b>Cash Flows From Operating Activities</b>   |               |               |
| Cash received from members  | \$ 79,970,490 | \$ 83,402,495 |
| Cash received for retrospective adjustments   | 7,143,084     | 12,370,328    |
| Cash received from other miscellaneous activities                                     | 1,530,123     | 792,843       |
| Cash paid for other miscellaneous activities  | (123,072)     | (169,770)     |
| Cash paid for claims and claims administration  | (48,014,349)  | (49,443,216)  |
| Cash paid for insurance   | (15,766,860)  | (15,683,313)  |
| Cash paid to suppliers for goods and services   | (5,296,567)   | (3,316,495)   |
| Cash paid to employees for services   | (4,529,598)   | (3,770,038)   |
| Net Cash Flows Provided (Used) by Operating Activities                                | 14,913,251    | 24,182,834    |
| <b>Cash Flows From Capital &amp; Related Financing Activities</b>                     |               |               |
| Cash paid for acquisition of capital assets   | (930,378)     | (549,457)     |
| Net Cash Flows Provided (Used) by Capital and Related Financing Activities            | (930,378)     | (549,457)     |
| <b>Cash Flows From Investing Activities</b>   |               |               |
| Net cash received (paid) from (for) investment transactions                           | (16,064,244)  | (34,198,001)  |
| Investment earnings received  | 3,361,940     | 3,803,506     |
| Net Cash Flows Provided (Used) by Investing Activities                                | (12,702,304)  | (30,394,495)  |
| Net Increase (Decrease) in Cash   | 1,280,569     | (6,761,110)   |
| Beginning Cash and Equivalents  | 14,618,295    | 21,379,405    |
| Ending Cash and Equivalents   | \$ 15,898,864 | \$ 14,618,295 |
| <b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b> |               |               |
| Operating Income (Loss)   | \$ 264,112    | \$ 4,668,953  |
| Adjustments to Reconcile Operating Income to Cash Provided by Operations:             |               |               |
| Depreciation Included in Operating Activities   | 255,333       | 255,319       |
| (Increase) Decrease in:   |               |               |
| Accounts receivable   | (1,898,797)   | (906,564)     |
| Retrospective deposits receivable   | 14,567,915    | 6,919,190     |
| Prepaid expenses  | (734,485)     | 537,163       |
| Net pension assets  | (52,629)      | -             |
| Deferred outflows of resources  | (1,081,270)   | -             |
| Increase (Decrease) in:   |               |               |
| Accounts payable  | (269,200)     | 224,949       |
| Accrued compensated absences  | 49,045        | 16,342        |
| Unearned contributions  | (2,218,123)   | 454,804       |
| Retrospective refunds payable   | (930,092)     | 1,666,678     |
| Net pension liability   | (182,447)     | -             |
| Deferred inflows of resources   | 782,889       | -             |
| Claims liabilities  | 6,361,000     | 10,346,000    |
| Net Cash Provided by Operating Activities   | \$ 14,913,251 | \$ 24,182,834 |
| <b>Supplemental Information: Noncash Investing Activities</b>                         |               |               |
| Net Increase (Decrease) in Fair Market Value  | \$ 63,249     | \$ 4,269,014  |

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

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015 and 2014**

|                          | 2015                | 2014                |
|--------------------------|---------------------|---------------------|
| <b>Assets</b>            |                     |                     |
| Cash and investments     | \$ 3,367,324        | \$ 3,614,353        |
| Interest receivable      | 2,226               | 2,558               |
| Accounts receivable      | 278,035             | 265,171             |
| <b>Total Assets</b>      | <b>3,647,585</b>    | <b>3,882,082</b>    |
| <br><b>Liabilities</b>   |                     |                     |
| Other deposits payable   | 3,647,585           | 3,882,082           |
| <b>Total Liabilities</b> | <b>\$ 3,647,585</b> | <b>\$ 3,882,082</b> |

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

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies

#### (a) Program Participation

All members must participate in the liability protection program and may elect to participate in the other programs that are offered by the Authority for workers' compensation and all-risk property protection. Provisions of the joint powers agreement prohibit any member from withdrawing for a period of one year from its admission date. After completing one year as a participating member and upon proper notice, a governmental agency may elect to withdraw from its status as a member at the end of a given fiscal year. Such withdrawal, however, will not terminate the member's responsibility for its share of claims and losses incurred prior to its withdrawal.

#### (b) Programs

Liability Protection Program – The liability self-insurance coverage administered by the Authority for its members includes protection for personal injury, property damage, and bodily injury. Since the program's inception, modifications have been made to the cost allocation formulas to reflect changes in inflation, types of exposures covered, and organizational policy. Claims are pooled separately between police and general government exposures. The following is an explanation of how the current cost allocation formula works:

(1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million to \$20 million are paid under reinsurance contracts subject to a combined \$3 million annual aggregate deductible. (6) Costs of covered claims from \$20 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### (b) Programs (continued)

Workers' Compensation Protection Program - The workers' compensation self-insurance coverage administered by the Authority for its members includes provision of statutory benefits to member employees for work-related injury or illness. Since the program's inception, modifications have been made to the cost allocation formulas to reflect changes in inflation, types of exposures covered, and organizational policy. Claims are pooled separately between public safety (police and fire), and general government exposures. The following is an explanation of how the current cost allocation formula works:

(1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

All-Risk Property Protection Program - The Authority has a fully insured all-risk property protection program underwritten by several property insurance companies.

Pollution Legal Liability Insurance Program - This program was formerly called "Environmental Liability Insurance Program." Since July 1, 2000, the Authority has offered to its members coverage under a pollution legal liability program. This program provides coverage for sudden and gradual pollution of scheduled property, streets and storm drains owned by members. This coverage is on a claims made basis and has been underwritten by a private insurance company.

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### (c) **Measurement Focus**

The accounts of the Authority are organized on the basis of a fund, which is considered a separate accounting entity. The operation of this fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Authority's resources are allocated and accounted for based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. Therefore, the Authority accounts for each insurance program as a separate fund in accordance with and as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 10. In addition, management has determined and elected that all funds of the Authority are classified as major funds as follows:

Liability Fund – The Liability Fund accounts for all the revenues and expenses related to the self-insurance (risk-sharing) liability protection program.

Workers' Compensation Fund – The Workers' Compensation Fund accounts for all the revenues and expenses related to the self-insurance (risk-sharing) workers' compensation program.

Insurance Programs Fund – The Insurance Programs Fund accounts for all the revenues and expenses related to the purchased insurance (non-risk sharing) activities for all-risk property protection program and the pollution legal liability program.

All of the Authority's programs are enterprise funds, which fall under the proprietary fund type category. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing services to members on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds are accounted for using the flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of Net Position. Their reported fund equity (total Net Position) is segregated into restricted (invested in capital assets) and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total Net Position.

Agency Funds – These funds are used to account for financial activity related to circumstances in which the Authority is acting as a trustee or custodian. The Authority accounts for all assets and liabilities related to the Central Coast Cities Self Insurance Fund for Workers' Compensation (CCCSIF-WC) as agency funds, which are disclosed in further detail in Note 10 to the basic financial statements.

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### (d) **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Proprietary funds are accounted for using the accrual basis of accounting as prescribed by the Governmental Accounting Standards Board (GASB). Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

#### (e) **Investments**

Investments are reported in the accompanying Statement of Net Position at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year and any gains or losses realized upon the liquidation, maturity, or sale of investments are recognized as *net increase (decrease) in investment fair values* reported for that fiscal year. *Investment income* consists primarily of interest earnings on investments held by the Authority.

The Authority maintains one investment portfolio and as a result, pools cash and investments of all the Authority's programs (funds). Each fund's share in this pool is displayed in the accompanying statement of Net Position as *cash and investments*. Investment income earned by the pooled investments and current year's net increase (decrease) in investment fair values is allocated to each program based upon each program's average investment balance.

#### (f) **Statement of Cash Flows**

For purposes of presentation in the statement of cash flows, the Authority considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they represent insignificant risk of changes in value because of changes in interest rates. The Authority follows the practice of pooling cash and investments of all programs (funds) and each program's cash and investments represents amounts that can be withdrawn at any time and therefore, are considered to be cash and cash equivalents for purposes of the statement of cash flows.

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### (g) **Capital Assets**

Capital assets in excess of \$5,000 individually that are acquired by the Authority are valued at historical cost or estimated historical cost (if historical cost is not available) or estimated fair value on the date donated (if the assets are donated). Capital assets are depreciated using the straight-line methodology over the asset's estimated useful life as follows:

|                           |          |
|---------------------------|----------|
| Building and improvements | 30 years |
| Furniture and equipment   | 5 years  |
| Software                  | 5 years  |

#### (h) **Claims Payable**

The Authority establishes claims payable based on actuarial estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Claims payable are reported at the discounted present value of estimated future cash payments.

Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims payable does not necessarily result in an exact amount. Claims payable are recomputed annually by an actuary to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. Inflation is implicit in the calculation because reliance is based on historical data that reflects past inflation and other modifiers considered appropriate. Adjustments to claims payable for changes in estimates are charged to expense in the period in which the changes in the estimates were determined.

#### (i) **Confidence Level Used by the Authority**

The liability for claims payable must be measured in terms of a *probability level* because the actual development and outcome of claims (and of losses incurred but not reported as claims) cannot be known with absolute certainty. Probability level measures the degree of certainty in estimating the liability for claims payable. The Authority reports its liability for claims payable at the expected probability level. The Unrestricted Net Position is designated for losses that might exceed the expected probability level.

#### (j) **Unearned Contributions**

Revenues are recognized when earned. Unearned contributions represent remaining amounts, which are billed periodically to each member, received by the Authority and then amortized over the related coverage period.

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### (k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 those estimates.

#### (l) Change in Accounting Principle

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable; pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms; and pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

For defined benefit pensions, this Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### (I) **Change in Accounting Principle (continued)**

projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

As of June 30, 2015, according to GASB 68, the Authority's total pension liability must be recognized. Therefore, the previous pension liability as of June 30, 2014 in the amount of \$3,124,257 has been shown as a restatement of net position on the Statement of Revenues, Expenses, and Changes in Net Position.

In November 2013, GASB issued Statement No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the governments' beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the Authority's fiscal year ending June 30, 2015.

As of June 30, 2015, according to GASB 71, the Authority had subsequent contributions to the measurement date. As a result of the contributions, in the current year the Authority had deferred outflows of \$1,081,270 and deferred inflows of \$782,889 resulting from the implementation of GASB 71.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(2) Cash and Investments**

Cash and investments are classified in the accompanying financial statements as indicated below.

| <b>Cash and Investments</b> |                              |                              |
|-----------------------------|------------------------------|------------------------------|
|                             | <u>June 30, 2015</u>         | <u>June 30, 2014</u>         |
| <b>Proprietary funds:</b>   |                              |                              |
| Cash and equivalents        | \$ 12,531,540                | \$ 11,003,942                |
| Short-term investments      | 3,749,408                    | 8,222,866                    |
| Long-term investments       | <u>223,116,047</u>           | <u>202,762,129</u>           |
| Subtotal                    | <u>239,396,995</u>           | <u>221,988,937</u>           |
| <b>Fiduciary funds:</b>     |                              |                              |
| Cash and equivalents        | 3,367,324                    | 3,614,353                    |
| Short-term investments      | -                            | -                            |
| Long-term investments       | <u>-</u>                     | <u>-</u>                     |
| Subtotal                    | <u>3,367,324</u>             | <u>3,614,353</u>             |
| <b>Total</b>                | <u><u>\$ 242,764,319</u></u> | <u><u>\$ 225,603,290</u></u> |
| <b>Consolidated:</b>        |                              |                              |
| Cash and equivalents        | 15,898,864                   | 14,618,295                   |
| Short-term investments      | 3,749,408                    | 8,222,866                    |
| Long-term investments       | <u>223,116,047</u>           | <u>202,762,129</u>           |
| Total cash and investments  | <u><u>\$ 242,764,319</u></u> | <u><u>\$ 225,603,290</u></u> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(2) Cash and Investments (continued)**

**Investments Authorized by the California Government Code and the Authority's Investment Policy**

The table below identifies the investment types that are authorized by the California Government Code and the Authority's investment policy. The table also identifies certain general provisions of the Authority's investment policy, which address interest rate risk and concentration of credit risk.

| Investment Types<br>Authorized by State Law | Authorized<br>by Investment<br>Policy | General Provisions of Investment Policy |                                       |  |
|---|---------------------------------------|---|---------------------------------------|--|
|   |                                       | Maximum<br>Maturity                     | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
| Banker's Acceptances                        | Yes                                   | 180 days                                | 40%                                   | 2.5%                                   |
| Commercial Paper                            | Yes                                   | 270 days                                | 25%                                   | 2.5%                                   |
| County Pooled Investment Funds              | Yes                                   | n/a                                     | \$30 million                          | n/a                                    |
| JPA Pools (other investment pools)          | No                                    | n/a                                     | n/a                                   | n/a                                    |
| Local Agency Bonds                          | No                                    | n/a                                     | n/a                                   | n/a                                    |
| Local Agency Investment Fund (LAIF)         | Yes                                   | n/a                                     | \$50 million                          | n/a                                    |
| Medium-Term Notes                           | Yes                                   | 5 years                                 | 30%                                   | 2.5%                                   |
| Money Market Mutual Funds                   | Yes                                   | n/a                                     | 20%                                   | none                                   |
| Mortgage Pass-Through Securities            | Yes                                   | 5 years                                 | 20%                                   | none                                   |
| Mutual Funds                                | No                                    | n/a                                     | n/a                                   | n/a                                    |
| Negotiable Certificates of Deposit          | Yes                                   | 5 years                                 | 30%                                   | 2.5%                                   |
| Repurchase Agreements                       | Yes                                   | 30 days                                 | none                                  | none                                   |
| Reverse Repurchase Agreements               | No                                    | n/a                                     | n/a                                   | n/a                                    |
| U.S. Agency Securities                      | Yes                                   | 10 years                                | none                                  | none                                   |
| U.S. Treasury Obligations                   | Yes                                   | 10 years                                | none                                  | none                                   |

The Authority's investment policy also authorizes the following investment types: (a) FDIC-Guaranteed Obligations, and (b) Demand Deposits, Passbook Savings Accounts and Non-negotiable Certificates of Deposits.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(2) Cash and Investments (continued)**

Disclosures Relating to Interest 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 the Authority 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.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

| <b>Maturity Distribution of Investments</b> |                       |                              |                      |                      |
|---|-----------------------|------------------------------|----------------------|----------------------|
| <u>Investment Type</u>                      | <u>Fair Value</u>     | <u>Maturity Distribution</u> |                      |                      |
|   |                       | <u>&lt; 1 year</u>           | <u>1-3 years</u>     | <u>&gt; 3 years</u>  |
| U.S. Treasuries                             | \$ 66,977,604         | \$ -                         | \$ 13,203,171        | \$ 53,774,433        |
| Federal Agencies                            | 80,381,882            | -                            | 57,432,531           | 22,949,351           |
| Certificates of Deposit                     | 32,544,205            | 3,749,408                    | 28,794,797           | -                    |
| Corporate Notes                             | 46,961,764            | -                            | 36,709,948           | 10,251,816           |
| <b>Total*</b>                               | <b>\$ 226,865,455</b> | <b>\$ 3,749,408</b>          | <b>\$136,140,447</b> | <b>\$ 86,975,600</b> |

\* Total includes both proprietary and fiduciary funds

The Authority's investment holdings periodically include some investments with fair market values that are highly sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above. These securities are callable. As of June 30, 2015, 7.5% of the Authority's portfolio was held in callable securities. The Authority's investment policy states that no more than 30% of the portfolio may be invested in callable securities.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(2) Cash and Investments (continued)**

*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 are Standard & Poor’s ratings of the securities held in the Authority’s portfolio by investment type, at the end of the current fiscal year.

| <b>Standard &amp; Poor's Ratings as of June 30, 2015</b> |                      |                     |                       |                      |
|--|----------------------|---------------------|-----------------------|----------------------|
| <u>Investment Type</u>                                   | <u>Total</u>         | <u>AAA</u>          | <u>AA</u>             | <u>A</u>             |
| U.S. Treasuries  | \$ 66,977,604        | \$ -                | \$ 66,977,604         | \$ -                 |
| Federal Agencies   | 80,381,882           | -                   | 80,381,882            | -                    |
| Certificates of Deposit                                  | 32,544,205           | -                   | 13,360,922            | 19,183,283           |
| Corporate Notes  | 46,961,764           | 7,644,902           | 22,627,431            | 16,689,431           |
| <b>Total</b>   | <b>\$226,865,455</b> | <b>\$ 7,644,902</b> | <b>\$ 183,347,839</b> | <b>\$ 35,872,714</b> |

*Concentration of Credit Risk* - The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total Authority investments are as follows:

| <b>Concentration of Credit Risk</b>    |                  |                   |                       |
|--|------------------|-------------------|-----------------------|
| <u>Issuer</u>                          | <u>Type</u>      | <u>Fair Value</u> | <u>% of Portfolio</u> |
| U.S. Treasury Notes                    | Federal Treasury | \$ 66,977,604     | 29.5%                 |
| Federal National Mortgage Association  | Federal Agency   | \$ 39,238,108     | 17.3%                 |
| Federal Home Loan Mortgage Corporation | Federal Agency   | \$ 26,024,470     | 11.5%                 |
| Federal Home Loan Banks                | Federal Agency   | \$ 12,874,896     | 5.7%                  |

# CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

## Notes to the Basic Financial Statements

### (2) Cash and Investments (continued)

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 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.

The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool - The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority'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.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, and other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. This fund has an average life of 232 days. The monies held in LAIF are not subject to categorization by risk category. LAIF is also not rated as to credit risk by a nationally recognized statistical rating organization.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(3) Capital Assets**

The following is a summary of the Authority's capital assets at fiscal year-end.

|  | <u>Balance at<br/>June30, 2014</u> | <u>Increase</u>   | <u>Decrease</u> | <u>Balance at<br/>June30, 2015</u> |
|--|------------------------------------|-------------------|-----------------|------------------------------------|
| <b>Capital assets, not being depreciated</b>       |                                    |                   |                 |                                    |
| Land   | \$2,031,395                        | \$ -              | \$ -            | \$2,031,395                        |
| Assets under development                           | 809,667                            | 904,226           | -               | 1,713,893                          |
| Subtotal   | <u>2,841,062</u>                   | <u>904,226</u>    | <u>-</u>        | <u>3,745,288</u>                   |
| <b>Capital assets, being depreciated</b>           |                                    |                   |                 |                                    |
| Building and improvements                          | 5,985,884                          | 6,500             | -               | 5,992,384                          |
| Furniture and equipment                            | 238,879                            | 19,652            | -               | 258,531                            |
| Software   | 228,708                            | -                 | -               | 228,708                            |
| Subtotal   | <u>6,453,471</u>                   | <u>26,152</u>     | <u>-</u>        | <u>6,479,623</u>                   |
| <b>Less accumulated depreciation</b>               |                                    |                   |                 |                                    |
| Building and improvements                          | (3,003,859)                        | (205,408)         | -               | (3,209,267)                        |
| Furniture and equipment                            | (194,136)                          | (19,372)          | -               | (213,508)                          |
| Software   | (185,424)                          | (30,553)          | -               | (215,977)                          |
| Subtotal   | <u>(3,383,419)</u>                 | <u>(255,333)</u>  | <u>-</u>        | <u>(3,638,752)</u>                 |
| <b>Total capital assets being depreciated, net</b> | <u>3,070,052</u>                   | <u>(229,181)</u>  | <u>-</u>        | <u>2,840,871</u>                   |
| <b>Total capital assets, net</b>                   | <u>\$5,911,114</u>                 | <u>\$ 675,045</u> | <u>\$ -</u>     | <u>\$6,586,159</u>                 |

For the year ended June 30, 2015 depreciation expense was charged to various programs as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| Liability                         | \$ 171,056        |
| Workers' Compensation             | 84,277            |
| Insurance Programs                | -                 |
| <b>Total Depreciation Expense</b> | <u>\$ 255,333</u> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(4) Claims Payable**

The Authority establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of losses, related claim adjustment expenses and unallocated loss adjustment expenses. Changes to claims payable for the fiscal years ended June 30, 2015 and 2014 are stated below.

|  | <u>2015</u>           | <u>2014</u>           |
|--|-----------------------|-----------------------|
| Claims payable, beginning of year                      | \$ 170,553,000        | \$ 160,207,000        |
| Incurred claims and claim adjustment expenses:         |                       |                       |
| Provision for covered events in the current year       | 50,876,000            | 50,873,000            |
| Changes in provision for covered events of prior years | <u>(2,065,579)</u>    | <u>2,910,686</u>      |
| Total incurred claims and claim adjustment expenses*   | <u>48,810,421</u>     | <u>53,783,686</u>     |
| Payments:  |                       |                       |
| Attributable to covered events in the current year     | 5,904,612             | 4,334,019             |
| Attributable to covered events in prior years          | <u>36,544,809</u>     | <u>39,103,667</u>     |
| Total payments   | <u>42,449,421</u>     | <u>43,437,686</u>     |
| Claims payable, end of year                            | <u>\$ 176,914,000</u> | <u>\$ 170,553,000</u> |
| Components of claims payable                           |                       |                       |
| Current portion  | \$ 55,000,000         | \$ 55,000,000         |
| Non-current portion                                    | 121,914,000           | 115,553,000           |
| Total claims payable                                   | <u>\$ 176,914,000</u> | <u>\$ 170,553,000</u> |
| Categories of claims payable                           |                       |                       |
| Claim reserves   | \$ 113,361,000        | \$ 96,193,000         |
| IBNR   | 52,839,000            | 64,418,000            |
| ULAE   | 10,714,000            | 9,942,000             |
| Total claims payable                                   | <u>\$ 176,914,000</u> | <u>\$ 170,553,000</u> |

\* Liability and workers' compensation programs only (does not include the property program)

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(4) Claims Payable (continued)**

The net liability for claims payable as of June 30, 2015 is stated at the expected probability level and includes a discount of 1% for anticipated future investment earnings. On an undiscounted basis, total claims payable was \$182,720,539. The application of the discount resulted in a reduction to the liability in the amount of \$5,806,539. The following table illustrates the impact of the discount on each program.

|                             | <u>Liability</u>     | <u>Workers'<br/>Compensation</u> | <u>Total</u>         |
|-----------------------------|----------------------|----------------------------------|----------------------|
| Undiscounted claims payable | \$ 89,520,542        | \$ 93,199,997                    | \$182,720,539        |
| Discount Amount             | <u>(1,594,542)</u>   | <u>(4,211,997)</u>               | <u>(5,806,539)</u>   |
| Discounted claims payable   | <u>\$ 87,926,000</u> | <u>\$ 88,988,000</u>             | <u>\$176,914,000</u> |

**(5) Retrospective Adjustments**

The accompanying Statement of Net Position reports retrospective balances including all retrospective deposit activity through June 30, 2015. This includes activity resulting from (a) refunds applied, (b) deposits received, (c) allowance for discounts, (d) transfers between programs, (e) the October 2015 retrospective computation, and (f) other adjustments.

The table on the following page provides a summary of retrospective balances by program, along with relevant financial activity that occurred during the 2015 fiscal year. Balances shown as positive values are receivables owed to the Authority by members. Balances shown as negative values are payables owed to members by the Authority.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**Summary of Retrospective Balances**

Fiscal Year Ended June 30, 2015

|                                    | <u>Liability</u>     | <u>Workers'<br/>Compensation</u> | <u>Total</u>         |   |
|------------------------------------|----------------------|----------------------------------|----------------------|---|
| <b>Beginning Balances</b>          |                      |                                  |                      |   |
| Retrospective Deposits Receivable  |                      |                                  |                      |   |
| Current                            | \$ 3,118,882         | \$ -                             | \$ 3,118,882         |   |
| Non-Current                        | 37,775,734           | 21,807,806                       | 59,583,540           |   |
| Subtotal                           | <u>40,894,616</u>    | <u>21,807,806</u>                | <u>62,702,422</u>    |   |
| Retrospective Refunds Payable      |                      |                                  |                      |   |
| Current                            | -                    | (538,336)                        | (538,336)            |   |
| Non-Current                        | (10,676,519)         | (3,952,944)                      | (14,629,463)         |   |
| Subtotal                           | <u>(10,676,519)</u>  | <u>(4,491,280)</u>               | <u>(15,167,799)</u>  |   |
| Overall Net Retrospective Balances | <u>30,218,097</u>    | <u>17,316,526</u>                | <u>47,534,623</u>    | A |
| <b>Activity</b>                    |                      |                                  |                      |   |
| Refunds Applied                    | 4,873,831            | 751,626                          | 5,625,457            |   |
| Gross Deposits Received            | (11,765,184)         | (1,820,643)                      | (13,585,827)         |   |
| Fees Received                      | 817,285              | -                                | 817,285              |   |
| Allowance for Discounts            | -                    | (1,969)                          | (1,969)              |   |
| Transfers (In)/Out                 | 1,862,892            | (1,862,892)                      | -                    |   |
| Annual Adjustment: October 2015    | (5,573,149)          | (919,620)                        | (6,492,769)          |   |
| Other Adjustments                  | -                    | -                                | -                    |   |
| Subtotal                           | <u>(9,784,325)</u>   | <u>(3,853,498)</u>               | <u>(13,637,823)</u>  | B |
| <b>Ending Balances</b>             |                      |                                  |                      |   |
| Retrospective Deposits Receivable  |                      |                                  |                      |   |
| Current                            | 5,423,392            | 9,776,358                        | 15,199,750           |   |
| Non-Current                        | 25,554,588           | 7,380,169                        | 32,934,757           |   |
| Subtotal                           | <u>30,977,980</u>    | <u>17,156,527</u>                | <u>48,134,507</u>    |   |
| Retrospective Refunds Payable      |                      |                                  |                      |   |
| Current                            | (10,544,208)         | (3,693,499)                      | (14,237,707)         |   |
| Non-Current                        | -                    | -                                | -                    |   |
| Subtotal                           | <u>(10,544,208)</u>  | <u>(3,693,499)</u>               | <u>(14,237,707)</u>  |   |
| Overall Net Retrospective Balances | <u>\$ 20,433,772</u> | <u>\$13,463,028</u>              | <u>\$ 33,896,800</u> | C |
| Change in Balances                 | (9,784,325)          | (3,853,498)                      | (13,637,823)         |   |
|                                    | -32.4%               | -22.3%                           | -28.7%               |   |

Note: A + B = C

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(6) Excess and Reinsurance Coverage**

Premiums for excess and reinsurance coverage in the liability program totaled \$6,924,800 in 2015. The table below shows a history of the Authority's basic coverage terms for purchased insurance in the liability program.

**Liability Program  
Excess and Reinsurance Coverage**

| From      | To        | Self-Insured Retention                                       | Coverage Limit Per Occurrence | AAD * Layer 1 | AAD * Layer 2 | Quota Share          | Additional Retained Layers         |
|-----------|-----------|--|-------------------------------|---------------|---------------|----------------------|------------------------------------|
| Inception | 6/30/1986 | \$ 500k  | \$ 10m                        | n/a           | n/a           | n/a                  | n/a                                |
| 7/1/1986  | 6/30/1997 | The Authority was fully self-insured during this time period |                               |               |               |                      |                                    |
| 7/1/1997  | 6/30/2003 | \$ 5m  | \$ 50m                        | n/a           | n/a           | n/a                  | n/a                                |
| 7/1/2003  | 6/30/2005 | \$ 15m   | \$ 50m                        | n/a           | n/a           | n/a                  | n/a                                |
| 7/1/2005  | 6/30/2006 | \$ 10m   | \$ 50m                        | n/a           | n/a           | n/a                  | n/a                                |
| 7/1/2006  | 6/30/2007 | \$ 10m   | \$ 50m                        | n/a           | n/a           | n/a                  | \$5m x/s \$18m, and \$5m x/s \$45m |
| 7/1/2007  | 6/30/2008 | \$ 5m  | \$ 50m                        | n/a           | n/a           | n/a                  | n/a                                |
| 7/1/2008  | 6/30/2009 | \$ 2m  | \$ 50m                        | \$ 3.0m       | n/a           | 40% of \$8m x/s \$2m | n/a                                |
| 7/1/2009  | 6/30/2010 | \$ 5m  | \$ 50m                        | \$ 2.5m       | n/a           | n/a                  | n/a                                |
| 7/1/2010  | 6/30/2011 | \$ 5m  | \$ 50m                        | \$ 2.5m       | \$ 3.0m       | n/a                  | n/a                                |
| 7/1/2011  | 6/30/2013 | \$ 5m  | \$ 50m                        | \$ 2.5m       | \$ 3.0m       | n/a                  | n/a                                |
| 7/1/2013  | 6/30/2014 | \$ 5m  | \$ 50m                        | n/a           | \$ 3.0m       | n/a                  | n/a                                |
| 7/1/2014  | 6/30/2015 | \$ 2m  | \$ 50m                        | n/a           | \$ 3.0m       | n/a                  | n/a                                |

\* AAD = Annual Aggregate Deductible

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(6) Excess and Reinsurance Coverage (continued)**

Premiums for excess and reinsurance coverage in the workers' compensation program totaled \$768,947 in 2015. The table below shows a history of the Authority's basic coverage terms for purchased insurance in the workers' compensation program.

**Workers' Compensation Program  
Excess and Reinsurance Coverage**

| From      | To        | Self-Insured Retention | Coverage Limit Per Occurrence | Coverage Type                            |
|-----------|-----------|------------------------|-------------------------------|--|
| Inception | 6/30/1986 | varied *               | Statutory Limit               | Commercial insurance                     |
| 7/1/1986  | 6/30/2002 | \$ 500k                | Statutory Limit               | Commercial insurance                     |
| 7/1/2002  | 6/30/2003 | \$ 2m                  | \$ 50m                        | Excess insurance authority participation |
| 7/1/2003  | 6/30/2005 | \$ 2m                  | \$ 100m                       | Excess insurance authority participation |
| 7/1/2005  | 6/30/2006 | \$ 2m                  | \$ 150m                       | Excess insurance authority participation |
| 7/1/2005  | 6/30/2007 | \$ 2m                  | \$ 200m                       | Excess insurance authority participation |
| 7/1/2007  | 6/30/2008 | \$ 2m                  | \$ 300m                       | Excess insurance authority participation |
| 7/1/2008  | 6/30/2015 | \$ 2m                  | Statutory Limit               | Commercial insurance                     |

\* The self-insured retention for coverage periods including 1979-80 through 1985-86 varied between \$100,000 and \$400,000 per year. Some of the risk transfer agreements were based on calendar years (not CJPIA coverage periods).

## CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

### Notes to the Basic Financial Statements

#### (7) Non-Risk Sharing Insurance Programs

The Authority's all-risk property protection program and pollution legal liability program are both fully insured and underwritten by several commercial insurance companies. These programs do not involve the sharing of risk. Net claim payments reflect current year activity relative to all coverage periods incurred. The following table provides a summary of significant activity for non-risk sharing insurance programs as of June 30, 2015.

|                                 | <u>Property</u>   | <u>Pollution<br/>Legal Liability</u> | <u>Total</u>      |
|---------------------------------|-------------------|--------------------------------------|-------------------|
| Revenues from members           | \$ 9,746,313      | \$ 374,716                           | \$ 10,121,029     |
| Net investment earnings         | 11,255            | -                                    | 11,255            |
| Premiums paid to insurers       | (7,966,587)       | (374,716)                            | (8,341,303)       |
| Broker fees paid                | (350,000)         | (50,000)                             | (400,000)         |
| Net claim payments              | (459,536)         | -                                    | (459,536)         |
| Program admin expenses          | (324,470)         | -                                    | (324,470)         |
| Total non-risk sharing activity | <u>\$ 656,975</u> | <u>\$ (50,000)</u>                   | <u>\$ 606,975</u> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(8) Defined Benefit Pension Plans**

The Authority participates in defined benefit pension plans through CalPERS and also has retirement enhancement plans administered through Public Agency Retirement Services (PARS). This footnote provides disclosures regarding the pension plans. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

|   | <u>CalPERS<br/>Misc Classic</u> | <u>CalPERS<br/>Misc PEPR A</u> |
|---|---------------------------------|--------------------------------|
| Benefit formula                                   | 2.0% @ 55                       | 2.0% @ 62                      |
| Benefit vesting schedule                          | 5 years service                 | 5 years service                |
| Benefit payments                                  | monthly for life                | monthly for life               |
| Retirement age                                    | 55                              | 62                             |
| Monthly benefits, as a % of eligible compensation | 2.000%                          | 2.000%                         |
| Required employee contribution rates              | 7.000%                          | 6.250%                         |
| Required employer contribution rates              | 11.522%                         | 6.250%                         |

|   | <u>PARS<br/>REP EE</u> | <u>PARS<br/>REP EC</u> |
|---|------------------------|------------------------|
| Benefit formula                                   | 0.5% @ 55              | see note*              |
| Benefit vesting schedule                          | 5 years service        | 5 years service        |
| Benefit payments                                  | monthly for life       | monthly for life       |
| Retirement age                                    | 55                     | 55                     |
| Monthly benefits, as a % of eligible compensation | 0.500%                 | na                     |
| Required employee contribution rates              | 0.000%                 | na                     |
| Required employer contribution rates              | 7.910%                 | fully funded           |

\* note: PARS REP EC is a retirement enhancement plan that pays a fixed monthly benefit based on years of service; \$125 for 5 years, \$150 for 6 years, \$175 for 7 years, \$200 for 8 years, \$225 for 9 years, and \$250 for 10 years of service or more. PARS REP EC became a closed plan (no new participants) as of December 31, 2012.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

|                        | <u>CalPERS<br/>Misc Classic</u> | <u>CalPERS<br/>Misc PEPR A</u> | <u>PARS<br/>REP EE</u> | <u>PARS<br/>REP EC</u> | <u>Total<br/>Deferred<br/>Outflows</u> |
|------------------------|---------------------------------|--------------------------------|------------------------|------------------------|--|
| Employer Contributions | \$ 903,634                      | \$ -                           | \$ 175,436             | \$ 2,200               | \$ 1,081,270                           |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(8) Defined Benefit Pension Plans (continued)**

The following tables provide information related to the Authority's pension liabilities, pension expenses and deferred outflows and inflows of resources for pensions. As of June 30, 2015, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

|                             | <b>Proportionate<br/>Share of Net<br/>Pension Liability</b> |             |
|-----------------------------|---|-------------|
| CalPERS Misc Classic        | \$ 2,073,827  | 72%         |
| CalPERS Misc PEPPRA         | -   | 0%          |
| PARS REP EE                 | 865,992   | 30%         |
| PARS REP EC                 | (52,628)  | -2%         |
| Total Net Pension Liability | <u>\$ 2,887,191</u>   | <u>100%</u> |

The Authority's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

|                                | <b>CalPERS<br/>Misc Classic</b> | <b>CalPERS<br/>Misc PEPPRA</b> | <b>PARS<br/>REP EE</b> | <b>PARS<br/>REP EC</b> |
|--------------------------------|---------------------------------|--------------------------------|------------------------|------------------------|
| Proportion as of June 30, 2013 | <u>0.07990%</u>                 | <u>0.00000%</u>                | <u>100%</u>            | <u>100%</u>            |
| Proportion as of June 30, 2014 | <u>0.08391%</u>                 | <u>0.00000%</u>                | <u>100%</u>            | <u>100%</u>            |
| Change: Increase or (Decrease) | <u>0.00401%</u>                 | <u>0.00000%</u>                | <u>0%</u>              | <u>0%</u>              |

The PARS REP EE and PARS REP EC Plans are not multi-employer plans, as such the proportionate share of net pension liability for these Plans is 100%.

For the year ended June 30, 2015, the Authority recognized pension expense of (\$535,448). As of June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(8) Defined Benefit Pension Plans (continued)**

|   | <b>CalPERS Misc Classic</b>    |                               | <b>CalPERS Misc PEPR</b>       |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date                      | \$ 903,634                     | \$ -                          | \$ -                           | \$ -                          |
| Net differences between projected and actual earnings on plan investments | -                              | 489,940                       | -                              | -                             |
| <b>Total</b>  | <b>\$ 903,634</b>              | <b>\$ 489,940</b>             | <b>\$ -</b>                    | <b>\$ -</b>                   |

|   | <b>PARS REP EE</b>             |                               | <b>PARS REP EC</b>             |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date                      | \$ 175,436                     | \$ -                          | \$ 2,200                       | \$ -                          |
| Net differences between projected and actual earnings on plan investments | -                              | 204,714                       | -                              | 88,235                        |
| <b>Total</b>  | <b>\$ 175,436</b>              | <b>\$ 204,714</b>             | <b>\$ 2,200</b>                | <b>\$ 88,235</b>              |

|   | <b>Totals</b>                  |                               |
|---|--------------------------------|-------------------------------|
|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date                      | \$ 1,081,270                   | \$ -                          |
| Net differences between projected and actual earnings on plan investments | -                              | 782,889                       |
| <b>Total</b>  | <b>\$ 1,081,270</b>            | <b>\$ 782,889</b>             |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(8) Defined Benefit Pension Plans (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended<br/>June 30</u> | <u>CalPERS<br/>Misc Classic</u> | <u>CalPERS<br/>Misc PEPPRA</u> | <u>PARS<br/>REP EE</u> | <u>PARS<br/>REP EC</u> | <u>Total</u>      |
|-------------------------------|---------------------------------|--------------------------------|------------------------|------------------------|-------------------|
| 2016                          | \$ 152,152                      | \$ -                           | \$ 11,416              | \$ 3,447               | \$ 167,015        |
| 2017                          | 147,993                         | -                              | 11,416                 | 3,447                  | 162,856           |
| 2018                          | 131,356                         | -                              | 11,416                 | 3,447                  | 146,219           |
| <b>Total</b>                  | <b>\$ 431,501</b>               | <b>\$ -</b>                    | <b>\$ 34,248</b>       | <b>\$ 10,341</b>       | <b>\$ 476,090</b> |

Actuarial Assumptions – As it relates to the CalPERS Miscellaneous Classic Plan, the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

|                           | <u>CalPERS<br/>Misc Classic</u>                         | <u>CalPERS<br/>Misc PEPPRA</u> | <u>PARS<br/>REP EE</u> | <u>PARS<br/>REP EC</u> |
|---------------------------|---|--------------------------------|------------------------|------------------------|
| Valuation Date            | June 30, 2014   | n/a                            | same                   | same                   |
| Measurement Date          | June 30, 2014   | n/a                            | same                   | same                   |
| Actuarial Cost Method     | Entry-Age Normal Cost                                   | n/a                            | same                   | same                   |
| Actuarial Assumptions:    |   |                                |                        |                        |
| Discount Rate             | 7.50%   | n/a                            | 7.00%                  | 7.00%                  |
| Investment Rate of Return | 7.50%, net of admin expenses                            | n/a                            | 7.00%                  | 7.00%                  |
| Inflation                 | 2.75%   | n/a                            | same                   | 3.00%                  |
| Payroll Growth Rate       | Varies by Entry Age and Service                         | n/a                            | same                   | n/a                    |
| Post Retirement Benefit   | Contract COLA up to 2.75%                               | n/a                            | 2.00%                  | n/a                    |
| Mortality Rate            | Derived using CalPERS'<br>Membership Data for all Funds | n/a                            | same                   | same                   |

As it relates to the PARS REP EE Plan and the PARS REP EC Plan, the valuation date was June 30, 2014 and the measurement date was also June 30, 2014 for all information disclosed and reported herein. The actuarial study of both PARS Plans contained data for a valuation date and measurement date of June 30, 2015, however, that data was not used in this financial report. In order to align the PARS valuation date and measurement date with the CalPERS valuation date and measurement date, only the June 30, 2014 PARS data was utilized in preparing these financial statements. Actuarial assumptions vary slightly between the Plans as indicated in the table above.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(8) Defined Benefit Pension Plans (continued)**

The tables below reflect the long-term expected real rate of return by asset class for each Plan. Rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| <b>CalPERS Misc Classic</b>   |                                 |                                 |                              |
|-------------------------------|---------------------------------|---------------------------------|------------------------------|
| <u>Asset Class</u>            | <u>New Strategic Allocation</u> | <u>Real Return Years 1 - 10</u> | <u>Real Return Years 11+</u> |
| Global Equity                 | 47.0%                           | 5.25%                           | 5.71%                        |
| Global Fixed Income           | 19.0%                           | 0.99%                           | 2.43%                        |
| Inflation Sensitive           | 6.0%                            | 0.45%                           | 3.36%                        |
| Private Equity                | 12.0%                           | 6.83%                           | 6.95%                        |
| Real Estate                   | 11.0%                           | 4.50%                           | 5.13%                        |
| Infrastructure and Forestland | 3.0%                            | 4.50%                           | 5.09%                        |
| Liquidity                     | 2.0%                            | -0.55%                          | -1.05%                       |
| Total                         | <u>100.0%</u>                   |                                 |                              |

| <b>PARS REP EE</b>         |                          |  |   |
|----------------------------|--------------------------|--|---|
| <u>Asset Class</u>         | <u>Target Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> |
| Cash                       | 3.6%                     | 0.53%  | 0.53%   |
| Core Fixed Income          | 39.2%                    | 2.08%  | 1.96%   |
| Broad US Equities          | 41.3%                    | 5.63%  | 4.24%   |
| Developed Foreign Equities | 12.3%                    | 6.25%  | 4.53%   |
| Emerging Market Equities   | 3.7%                     | 8.50%  | 5.04%   |
| Total                      | <u>100.0%</u>            |  |   |

| <b>PARS REP EC</b>         |                          |  |   |
|----------------------------|--------------------------|--|---|
| <u>Asset Class</u>         | <u>Target Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> |
| Cash                       | 3.6%                     | 0.53%  | 0.53%   |
| Core Fixed Income          | 39.2%                    | 2.03%  | 1.90%   |
| Broad US Equities          | 41.3%                    | 5.64%  | 4.25%   |
| Developed Foreign Equities | 12.3%                    | 6.31%  | 4.58%   |
| Emerging Market Equities   | 3.7%                     | 8.56%  | 5.11%   |
| Total                      | <u>100.0%</u>            |  |   |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(8) Defined Benefit Pension Plans (continued)**

The Authority's net pension liability for each Plan is stated below, calculated using the discount rate for each Plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

|                              | <b>CalPERS Misc Classic</b>     |                                    |                                 |
|------------------------------|---------------------------------|------------------------------------|---------------------------------|
|                              | Discount Rate<br>- 1%<br>(6.5%) | Discount Rate<br>Current<br>(7.5%) | Discount Rate<br>+ 1%<br>(8.5%) |
| Plan's Net Pension Liability | \$ 3,363,724                    | \$ 2,073,827                       | \$ 1,003,334                    |

|                              | <b>PARS REP EE</b>              |                                    |                                 |
|------------------------------|---------------------------------|------------------------------------|---------------------------------|
|                              | Discount Rate<br>- 1%<br>(6.0%) | Discount Rate<br>Current<br>(7.0%) | Discount Rate<br>+ 1%<br>(8.0%) |
| Plan's Net Pension Liability | \$ 1,134,986                    | \$ 865,992                         | \$ 642,336                      |

|                              | <b>PARS REP EC</b>              |                                    |                                 |
|------------------------------|---------------------------------|------------------------------------|---------------------------------|
|                              | Discount Rate<br>- 1%<br>(6.0%) | Discount Rate<br>Current<br>(7.0%) | Discount Rate<br>+ 1%<br>(8.0%) |
| Plan's Net Pension Liability | \$ (24,941)                     | \$ (52,628)                        | \$ (76,836)                     |

**(9) Other Post Employment Benefits, OPEB**

*Plan Description:* In response to the GASB 45 requirement, the Authority contracted with PARS to establish a Post-Retirement Health Care Plan Trust. The Trust is structured as a multiple-employer trust in accordance with Section 115 of the Internal Revenue Code. To comply with GASB 43 and 45, the Trust was established as an irrevocable exclusive benefit trust to fund retiree health care benefits. Consistent with other Authority benefit plans, the Chief Executive Officer (CEO) administers the PARS plan and has overall responsibility for the plan, including selection of the plan's asset investment approach.

PARS serves as the trust administrator. US Bank serves as the trustee of the PARS GASB 45 Funding Program. Highmark Capital Management is the investment manager of trust assets.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(9) Other Post Employment Benefits, OPEB (continued)**

Funding Policy: The contribution requirements to the Trust are established and may be amended by the Executive Committee. The contribution to be made each year to the Trust is determined by the Executive Committee as part of its budget process.

Eligibility: The Authority provides medical insurance benefits to its retirees who: (1) retire from the Authority; (2) receive a retirement from PERS based on an application to PERS dated the same date as the employee's retirement date from the Authority. Eligible retirees and their qualified dependents may receive retiree medical insurance, at the Authority's cost, up to 100% of the PERS CHOICE family rate.

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

As of June 30, 2015, the date of the latest actuarial valuation, there were 16 retirees receiving benefits and 21 active plan members. Based on the Authority's total number of plan participants, the minimum required frequency of an actuarial valuation under GASB 45 is triennially. Accordingly, the ARC determined by the actuarial study valued as of June 30, 2015 will remain applicable for 2016, and 2017.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for these benefits:

|  |                    |
|--|--------------------|
| Annual required contribution                 | \$ 353,537         |
| Interest on net OPEB obligation              | -                  |
| Adjustment to annual required contribution   | -                  |
| Annual OPEB cost (expense)                   | <u>353,537</u>     |
| Contributions made (including premiums paid) | 382,985            |
| Increase (decrease) in net OPEB obligation   | -                  |
| Net OPEB asset: beginning of year            | -                  |
| Net OPEB asset: end of year                  | <u>\$ (29,448)</u> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(9) Other Post Employment Benefits, OPEB (continued)**

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and the three preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Asset |
|-------------------|------------------|--|----------------|
| 6/30/12           | \$ 382,891       | 101%                                       | \$ (4,583)     |
| 6/30/13           | \$ 382,891       | 100%                                       | -              |
| 6/30/14           | \$ 382,891       | 100%                                       | -              |
| 6/30/15           | \$ 353,537       | 108%                                       | \$ (29,448)    |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is provided within this report as part of the Required Supplementary Information. The schedule shows multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The most recent actuarial report has a valuation date of June 30, 2015, and remains valid for three years under GASB 45. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Actuarial Cost Method. The actuarial assumptions included an annual healthcare cost trend rate of 8 percent initially, reduced by decrements of .5 percent per year to an ultimate rate of 5 percent after the sixth year. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized as a level dollar of projected payroll over 24 years. It is assumed the Authority's payroll will increase 3 percent per year.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

**(10) Contract Services Provided to Other Agencies**

For the fiscal year ended June 30, 2015 the Authority provided administrative consulting services to the Los Angeles County Liability Trust Fund (LTF), and was compensated on a fee for service basis. The Authority did not have custody of LTF assets.

For the fiscal year ended June 30, 2015 the Authority also provided administrative consulting services to the Central Coast Cities Self Insurance Fund (CCCSIF) for Workers' Compensation tail claims incurred prior to July 1, 2004. During the fiscal year, the Authority maintained custody of CCCSIF assets. Financial activity related to CCCSIF is accounted for separately in an agency fund administered by the Authority. Agency fund activity for the year ended June 30, 2015 is summarized in the following table.

|                                      |                     |
|--------------------------------------|---------------------|
| Other deposits payable as of 7/1/14  | \$ 3,882,082        |
| Amounts received                     | 171,452             |
| Amounts paid on behalf               | <u>(405,949)</u>    |
| Other deposits payable as of 6/30/15 | <u>\$ 3,647,585</u> |

**Other deposits payable by type:**

|  |                     |
|--|---------------------|
| Claims payable   | \$ 2,701,200        |
| Designated for Actuarial Funding in Excess of Expected | 292,810             |
| Due to Participating Cities                            | <u>653,575</u>      |
| Total  | <u>\$ 3,647,585</u> |

**(11) Contingencies**

Various claims and suits have been filed against the members of the Authority in the normal course of its operations. The probable amounts of loss associated with these cases have been estimated by contracted actuarial consultants and reflected in the accompanying financial statements as claims payable. Although the outcome of these claims and lawsuits is uncertain, management does not expect that the resolution of these cases will have a material adverse effect on the Authority beyond the provision for claims payable reflected in the accompanying financial statements.

## CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

### Notes to the Basic Financial Statements

**(12) Salvaged Assets**

Salvaged assets represent anticipated recoveries on two land movement claims in the liability program. In both cases, the Authority has acquired real property in the course of resolving the claims. Recoveries are expected in the future when the properties are sold. An independent appraiser has valued both properties. The date of the appraisal was August 7, 2012, and the combined estimated resale value was \$4,250,000. This figure has been recorded in the Authority's financial statements as an asset. The value of real property is inherently volatile and subject to changes in demand, market conditions and other economic factors. The actual recovery, when it occurs, may vary significantly from the estimated value.

**(13) Subsequent Events**

The Authority's management evaluated its 2015 financial statements for subsequent events through the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

## Required Supplementary Information

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
DEFINED BENEFIT PENSION PLANS  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
As of June 30, 2015**

**CalPERS Misc Classic (cost sharing plan)**

|   | <b>June 30, 2014</b> <sup>(1)</sup> |
|---|-------------------------------------|
| Proportion of the net pension liability   | 0.08391%                            |
| Proportionate share of the net pension liability                                  | \$ 2,073,827                        |
| Covered-employee payroll <sup>(2)</sup>   | \$ 2,327,758                        |
| Proportionate Share of the net pension liability as % of covered-employee payroll | 89.09%                              |
| Plans fiduciary net position as a % of the total pension liability                | 78.67%                              |
| Proportionate share of aggregate employer contributions <sup>(3)</sup>            | \$ 206,850                          |

**PARS REP EE (single agency plan)**

|   | <b>June 30, 2014</b> <sup>(1)</sup> |
|---|-------------------------------------|
| Proportion of the net pension liability   | 100%                                |
| Proportionate share of the net pension liability                                  | \$ 865,992                          |
| Covered-employee payroll <sup>(2)</sup>   | \$ 2,073,164                        |
| Proportionate Share of the net pension liability as % of covered-employee payroll | 41.77%                              |
| Plans fiduciary net position as a % of the total pension liability                | 59.64%                              |
| Proportionate share of aggregate employer contributions <sup>(3)</sup>            | n/a                                 |

**PARS REP EC (single agency plan)**

|   | <b>June 30, 2014</b> <sup>(1)</sup> |
|---|-------------------------------------|
| Proportion of the net pension liability   | 100%                                |
| Proportionate share of the net pension liability                                  | \$ (52,628)                         |
| Covered-employee payroll <sup>(2)</sup>   | n/a                                 |
| Proportionate Share of the net pension liability as % of covered-employee payroll | n/a                                 |
| Plans fiduciary net position as a % of the total pension liability                | 114.93%                             |
| Proportionate share of aggregate employer contributions <sup>(3)</sup>            | n/a                                 |

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- (3) Covered-employee payroll stated above is based on pensionable earnings reported to the plan administrator by the employer.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
DEFINED BENEFIT PENSION PLANS  
SCHEDULE OF CONTRIBUTIONS  
As of June 30, 2015**

**CalPERS Misc Classic (cost sharing plan)**

|  | <b>2014</b>  | (1) |
|--|--------------|-----|
| Actuarially Determined Contribution (2)                                  | \$ 334,032   |     |
| Contributions in relation to the actuarially determined contribution (2) | (334,032)    |     |
| Contribution deficiency or (excess)                                      | \$ -         |     |
| Covered-employee payroll (3)   | \$ 2,327,758 |     |
| Contributions as a percentage of covered-employee payroll (3)            | 14.35%       |     |

**PARS REP EE (single agency plan)**

|  | <b>2014</b>  | (1) |
|--|--------------|-----|
| Actuarially Determined Contribution (2)                                  | \$ 172,090   |     |
| Contributions in relation to the actuarially determined contribution (2) | (173,377)    |     |
| Contribution deficiency or (excess)                                      | \$ (1,287)   |     |
| Covered-employee payroll (3)   | \$ 2,073,164 |     |
| Contributions as a percentage of covered-employee payroll (3)            | 8.30%        |     |

**PARS REP EC (single agency plan)**

|  | <b>2014</b> | (1) |
|--|-------------|-----|
| Actuarially Determined Contribution (2)                                  | \$ 1,455    |     |
| Contributions in relation to the actuarially determined contribution (2) | (2,199)     |     |
| Contribution deficiency or (excess)                                      | \$ (744)    |     |
| Covered-employee payroll (3)   | n/a         |     |
| Contributions as a percentage of covered-employee payroll (3)            | n/a         |     |

- (1) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- (3) Covered-employee payroll represented above is based on pensionable earnings provided as reported to the plan administrator.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**OPEB Schedule of Funding Progress**

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|---|---------------------|--------------|-----------------|---|
|                          | (a)                       | (b)   | (b - a)             | (a / b)      | (c)             | (b - a) / c                             |
| 6/30/2009                | \$ -                      | \$ 2,868,843                                | \$ 2,868,843        | 0.0%         | \$ 2,014,227    | 142.4%                                  |
| 6/30/2012                | \$ 1,224,419              | \$ 3,742,850                                | \$ 2,518,431        | 32.7%        | \$ 2,100,072    | 119.9%                                  |
| 6/30/2015                | \$ 2,366,904              | \$ 4,788,834                                | \$ 2,421,930        | 49.4%        | \$ 2,533,994    | 95.6%                                   |

As of June 30, 2015, the date of the latest actuarial valuation, there were 16 retirees receiving benefits and 21 active plan members. Based on the Authority's total number of plan participants, the minimum required frequency of an actuarial valuation under GASB 45 is triennially. Accordingly, the OPEB schedule of funding progress shown above is only updated once every three years.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Reconciliation of Claims Payable by Type of Contract**

|  | Liability            |                      | Workers' Compensation |                      | Totals                |                       |
|--|----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|
|  | 2015                 | 2014                 | 2015                  | 2014                 | 2015                  | 2014                  |
| Unpaid claims and claim adjustment expenses at beginning of the year | \$ 82,149,000        | \$ 80,851,000        | \$ 88,404,000         | \$ 79,356,000        | \$ 170,553,000        | \$ 160,207,000        |
| Incurred claims and claim adjustment expenses:                       |                      |                      |                       |                      |                       |                       |
| Provision for covered events of the current year                     | 28,480,000           | 27,943,000           | 22,396,000            | 22,930,000           | 50,876,000            | 50,873,000            |
| Changes in provision for covered events of prior years               | 385,060              | (4,239,589)          | (2,450,639)           | 7,150,275            | (2,065,579)           | 2,910,686             |
| Total incurred claims and claim adjustment expenses                  | 28,865,060           | 23,703,411           | 19,945,361            | 30,080,275           | 48,810,421            | 53,783,686            |
| Payments:  |                      |                      |                       |                      |                       |                       |
| Claims and claim adjustment expenses attributable to:                |                      |                      |                       |                      |                       |                       |
| Covered events of the current year                                   | 2,549,222            | 1,754,855            | 3,355,390             | 2,579,164            | 5,904,612             | 4,334,019             |
| Covered events of prior years  | 20,538,838           | 20,650,556           | 16,005,971            | 18,453,111           | 36,544,809            | 39,103,667            |
| Total payments   | 23,088,060           | 22,405,411           | 19,361,361            | 21,032,275           | 42,449,421            | 43,437,686            |
| Total unpaid claims and claim adjustment expenses at end of the year | <b>\$ 87,926,000</b> | <b>\$ 82,149,000</b> | <b>\$ 88,988,000</b>  | <b>\$ 88,404,000</b> | <b>\$ 176,914,000</b> | <b>\$ 170,553,000</b> |
| Components of claims payable   |                      |                      |                       |                      |                       |                       |
| Current portion  | \$ 24,000,000        | \$ 25,000,000        | \$ 31,000,000         | \$ 30,000,000        | \$ 55,000,000         | \$ 55,000,000         |
| Non-current portion  | 63,926,000           | 57,149,000           | 57,988,000            | 58,404,000           | 121,914,000           | 115,553,000           |
| Total claims payable   | <b>\$ 87,926,000</b> | <b>\$ 82,149,000</b> | <b>\$ 88,988,000</b>  | <b>\$ 88,404,000</b> | <b>\$ 176,914,000</b> | <b>\$ 170,553,000</b> |
| Categories of claims payable   |                      |                      |                       |                      |                       |                       |
| Claim reserves   | \$ 65,762,000        | \$ 50,652,000        | \$ 47,599,000         | \$ 45,541,000        | \$ 113,361,000        | \$ 96,193,000         |
| IBNR: incurred but not reported                                      | 15,575,000           | 26,274,000           | 37,264,000            | 38,144,000           | 52,839,000            | 64,418,000            |
| ULAE: unallocated loss adjustment expense                            | 6,589,000            | 5,223,000            | 4,125,000             | 4,719,000            | 10,714,000            | 9,942,000             |
| Total claims payable   | <b>\$ 87,926,000</b> | <b>\$ 82,149,000</b> | <b>\$ 88,988,000</b>  | <b>\$ 88,404,000</b> | <b>\$ 176,914,000</b> | <b>\$ 170,553,000</b> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Schedule of Ten-Year Claims Development Information: Liability Program**  
**Fiscal and Coverage Years Ended June 30 (In Thousands of Dollars)**

|   | 2006      | 2007      | 2008        | 2009       | 2010        | 2011      | 2012       | 2013       | 2014      | 2015      |
|---|-----------|-----------|-------------|------------|-------------|-----------|------------|------------|-----------|-----------|
| 1. Required contribution and investment revenue:                                      |           |           |             |            |             |           |            |            |           |           |
| Earned  | \$ 36,562 | \$ 51,147 | \$ 32,910   | \$ 46,985  | \$ 34,868   | \$ 50,714 | \$ 44,074  | \$ 41,143  | \$ 47,178 | \$ 44,739 |
| Ceded   | 1,532     | 2,006     | 2,532       | 5,863      | 7,240       | 7,838     | 6,988      | 7,544      | 6,151     | 6,925     |
| Net earned  | 35,030    | 49,141    | 30,378      | 41,122     | 27,628      | 42,876    | 37,086     | 33,599     | 41,027    | 37,814    |
| 2. Unallocated expenses   | 4,979     | 4,484     | 4,521       | 5,796      | 5,872       | 6,650     | 6,561      | 6,347      | 6,805     | 6,693     |
| 3. Estimated incurred claims expense, end of coverage year                            |           |           |             |            |             |           |            |            |           |           |
| Incurred  | 26,413    | 27,889    | 36,255      | 40,822     | 38,921      | 35,222    | 34,761     | 34,220     | 33,032    | 34,051    |
| Ceded Claims  | 1,532     | 2,006     | 2,532       | 5,863      | 7,240       | 7,838     | 6,988      | 7,544      | 6,151     | 6,925     |
| Net incurred claims   | 24,881    | 25,883    | 33,723      | 34,959     | 31,681      | 27,384    | 27,773     | 26,676     | 26,881    | 27,126    |
| 4. Paid (cumulative) as of:   |           |           |             |            |             |           |            |            |           |           |
| End of coverage year  | 885       | 679       | 964         | 996        | 1,313       | 1,131     | 1,190      | 883        | 1,755     | 2,549     |
| One year later  | 4,415     | 4,292     | 7,590       | 5,141      | 4,279       | 5,870     | 5,559      | 4,685      | 6,194     |           |
| Two years later   | 20,279    | 17,312    | 15,469      | 16,038     | 12,210      | 16,277    | 15,524     | 13,840     |           |           |
| Three years later   | 31,139    | 35,855    | 19,479      | 21,254     | 14,288      | 20,478    | 18,666     |            |           |           |
| Four years later  | 31,757    | 40,307    | 21,149      | 24,608     | 15,353      | 21,963    |            |            |           |           |
| Five years later  | 32,556    | 41,363    | 21,155      | 25,529     | 16,944      |           |            |            |           |           |
| Six years later   | 32,612    | 41,850    | 21,173      | 25,936     |             |           |            |            |           |           |
| Seven years later   | 32,612    | 42,024    | 21,233      |            |             |           |            |            |           |           |
| Eight years later   | 32,616    | 42,065    |             |            |             |           |            |            |           |           |
| Nine years later  | 32,624    |           |             |            |             |           |            |            |           |           |
| 5. Re-estimated ceded claims and expenses   | -         | -         | -           | -          | -           | -         | -          | -          | -         | -         |
| 6. Re-estimated net incurred losses   |           |           |             |            |             |           |            |            |           |           |
| End of coverage year  | 24,881    | 25,883    | 33,723      | 34,959     | 31,681      | 27,384    | 27,773     | 26,676     | 26,881    | 27,126    |
| One year later  | 33,209    | 30,947    | 36,011      | 31,238     | 28,996      | 30,449    | 27,734     | 25,816     | 31,662    |           |
| Two years later   | 41,767    | 39,415    | 31,757      | 31,553     | 25,849      | 29,554    | 26,632     | 24,183     |           |           |
| Three years later   | 36,546    | 47,723    | 26,522      | 30,766     | 23,241      | 30,222    | 24,178     |            |           |           |
| Four years later  | 35,293    | 45,459    | 23,936      | 28,081     | 19,045      | 29,900    |            |            |           |           |
| Five years later  | 33,175    | 44,613    | 22,229      | 27,070     | 19,102      |           |            |            |           |           |
| Six years later   | 33,384    | 43,089    | 21,637      | 27,546     |             |           |            |            |           |           |
| Seven years later   | 32,971    | 42,536    | 21,460      |            |             |           |            |            |           |           |
| Eight years later   | 32,749    | 42,344    |             |            |             |           |            |            |           |           |
| Nine years later  | 32,663    |           |             |            |             |           |            |            |           |           |
| 7. Increase (decrease) in estimated incurred claims expense from end of coverage year | \$ 7,782  | \$ 16,461 | \$ (12,263) | \$ (7,413) | \$ (12,579) | \$ 2,516  | \$ (3,595) | \$ (2,493) | \$ 4,781  | \$ -      |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Schedule of Ten-Year Claims Development Information: Workers' Compensation Program**  
**Fiscal and Coverage Years Ended June 30 (In Thousands of Dollars)**

|   | 2006       | 2007       | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014       | 2015      |
|---|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|
| 1. Required contribution and investment revenue:                                      |            |            |           |           |           |           |           |           |            |           |
| Earned  | \$ 15,912  | \$ 16,628  | \$ 30,128 | \$ 27,605 | \$ 28,863 | \$ 27,420 | \$ 33,936 | \$ 29,571 | \$ 30,857  | \$ 33,127 |
| Ceded   | 831        | 1,337      | 1,014     | 805       | 697       | 936       | 875       | 751       | 875        | 769       |
| Net earned  | 15,081     | 15,291     | 29,114    | 26,800    | 28,166    | 26,484    | 33,061    | 28,820    | 29,982     | 32,358    |
| 2. Unallocated expenses   | 2,652      | 3,436      | 3,639     | 4,045     | 4,094     | 4,306     | 4,548     | 4,907     | 5,284      | 6,137     |
| 3. Estimated incurred claims expense, end of coverage year                            |            |            |           |           |           |           |           |           |            |           |
| Incurred  | 18,342     | 17,948     | 18,833    | 20,294    | 19,800    | 18,873    | 20,575    | 22,462    | 23,543     | 23,099    |
| Ceded Claims  | 831        | 1,337      | 1,014     | 805       | 697       | 936       | 875       | 751       | 875        | 769       |
| Net incurred claims   | 17,511     | 16,611     | 17,819    | 19,489    | 19,103    | 17,937    | 19,700    | 21,711    | 22,668     | 22,330    |
| 4. Paid (cumulative) as of:   |            |            |           |           |           |           |           |           |            |           |
| End of coverage year  | 2,402      | 2,362      | 2,593     | 3,050     | 3,386     | 2,760     | 3,223     | 3,922     | 2,579      | 3,355     |
| One year later  | 5,011      | 5,706      | 8,139     | 7,638     | 7,802     | 7,432     | 8,227     | 9,696     | 6,879      |           |
| Two years later   | 6,693      | 7,701      | 11,148    | 10,149    | 9,959     | 10,487    | 12,316    | 12,834    |            |           |
| Three years later   | 7,950      | 8,773      | 13,194    | 12,230    | 12,452    | 12,665    | 14,872    |           |            |           |
| Four years later  | 8,882      | 9,648      | 14,918    | 13,741    | 14,146    | 13,953    |           |           |            |           |
| Five years later  | 9,636      | 10,091     | 16,180    | 14,430    | 15,772    |           |           |           |            |           |
| Six years later   | 10,401     | 10,709     | 17,350    | 15,056    |           |           |           |           |            |           |
| Seven years later   | 11,162     | 10,971     | 17,905    |           |           |           |           |           |            |           |
| Eight years later   | 11,599     | 11,105     |           |           |           |           |           |           |            |           |
| Nine years later  | 12,070     |            |           |           |           |           |           |           |            |           |
| 5. Re-estimated ceded claims and expenses   | -          | -          | -         | -         | -         | -         | -         | -         | -          | -         |
| 6. Re-estimated net incurred losses   |            |            |           |           |           |           |           |           |            |           |
| End of coverage year  | 17,511     | 16,611     | 17,819    | 19,489    | 19,103    | 17,937    | 19,700    | 21,711    | 22,668     | 22,330    |
| One year later  | 14,625     | 14,928     | 19,090    | 18,989    | 19,091    | 21,333    | 22,673    | 24,272    | 21,281     |           |
| Two years later   | 14,233     | 15,834     | 18,950    | 19,543    | 21,146    | 22,070    | 26,033    | 24,120    |            |           |
| Three years later   | 14,476     | 14,541     | 20,185    | 18,820    | 21,575    | 21,433    | 25,842    |           |            |           |
| Four years later  | 13,336     | 13,329     | 20,995    | 18,822    | 21,571    | 20,953    |           |           |            |           |
| Five years later  | 13,219     | 12,817     | 21,298    | 18,563    | 21,914    |           |           |           |            |           |
| Six years later   | 13,972     | 12,330     | 21,261    | 18,535    |           |           |           |           |            |           |
| Seven years later   | 13,943     | 12,607     | 21,202    |           |           |           |           |           |            |           |
| Eight years later   | 14,362     | 12,578     |           |           |           |           |           |           |            |           |
| Nine years later  | 13,904     |            |           |           |           |           |           |           |            |           |
| 7. Increase (decrease) in estimated incurred claims expense from end of coverage year | \$ (3,607) | \$ (4,033) | \$ 3,383  | \$ (954)  | \$ 2,811  | \$ 3,016  | \$ 6,142  | \$ 2,409  | \$ (1,387) | \$ -      |

## CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

### Notes to Required Supplementary Information

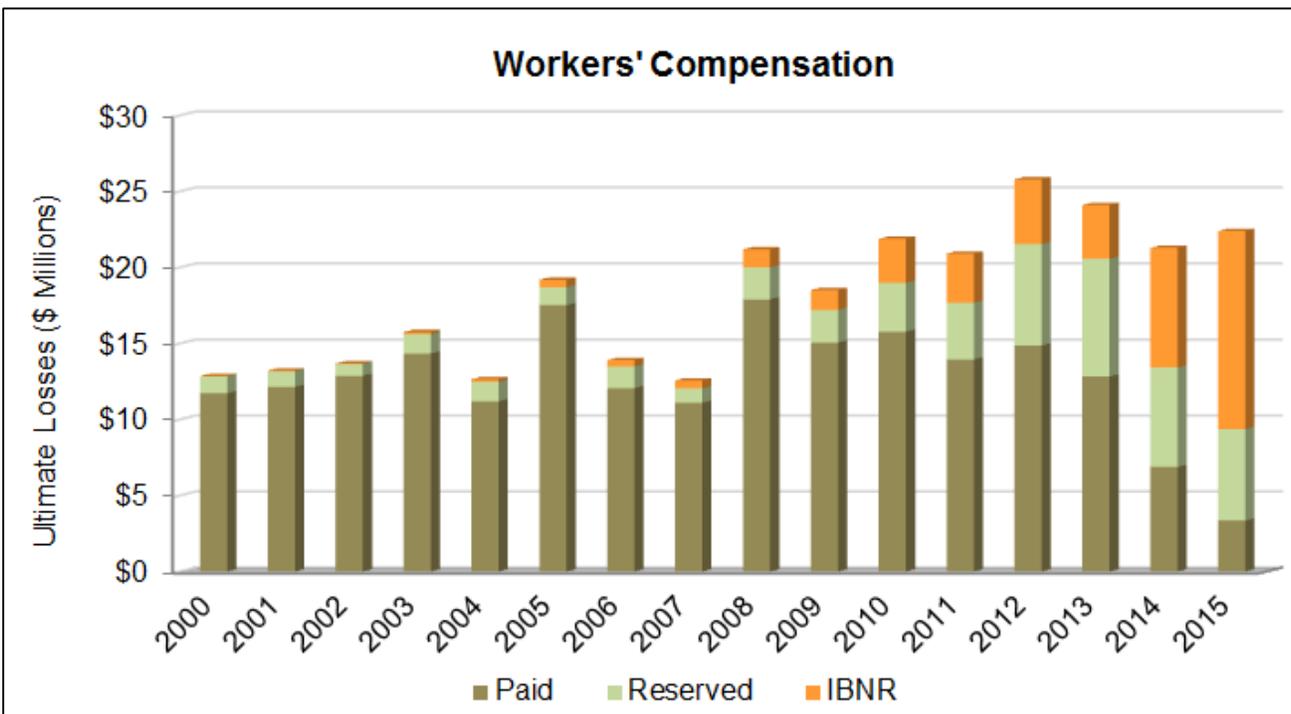
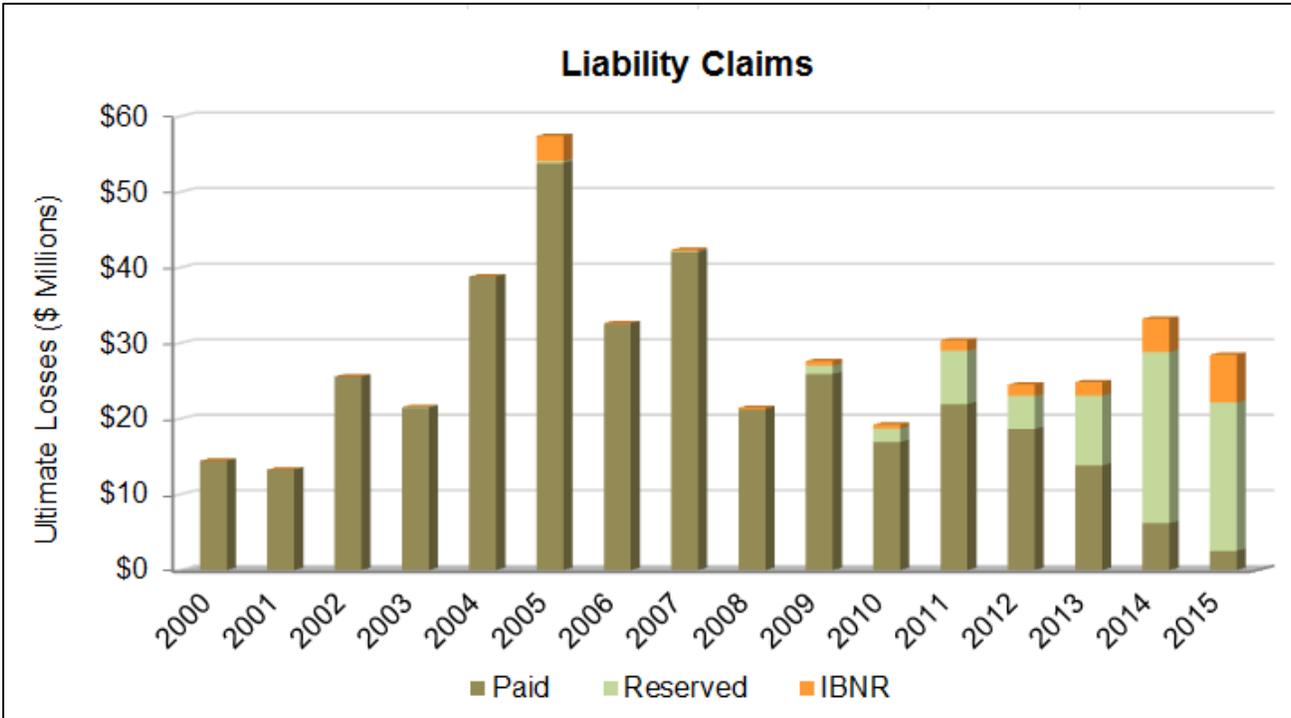
#### Definition of Terms for Schedule of Ten-Year Claims Development Information

The schedules of ten-year claims development information on the preceding pages illustrate how the Authority's net earned revenue compares to related costs of losses and other expenses assumed by the Authority. The numbered rows on the schedules are defined as follows:

1. Required contribution and investment revenue: Contributions represent the total of each coverage year's gross earned contributions from members on a cumulative basis, which includes the coverage year's initial funding as well as all subsequent retrospective adjustments attributable to the subject year. Investment income is reported net of changes in fair market values as of coverage year-end. Premiums ceded to reinsurers and excess carriers are also stated.
2. Unallocated expenses: This line shows other operating costs of the Authority including each coverage year's overhead expenses and claims expenses not allocable to individual claims.
3. Estimated incurred claims expenses, end of coverage year: This line shows the Authority's gross incurred claims and allocated claim adjustment expense, claims assumed by reinsurers and excess carriers (ceded claims), and the net incurred claims and allocated claim 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 *coverage year*).
4. Paid (cumulative) as of: This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each coverage year.
5. Re-estimated ceded claims and expenses: This line shows the latest re-estimated amount of claims assumed by reinsurers and excess carriers, as of the end of the current year for each coverage year.
6. Re-estimated net incurred losses: This section of ten rows shows how each coverage year's net incurred claims increased or decreased as of the end of successive years. These annually updated estimates are the result of new information received on known claims, reevaluation of existing information on known claims, and the emergence of new claims not previously known.
7. Increase (decrease) in estimated incurred claims expense from end of coverage year: This line compares the latest re-estimated 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 coverage years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature years. The columns of the schedules show data for successive coverage years.

## Supplementary Information

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Graphical Summary of Claim Liabilities**  
**As of June 30, 2015**



**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Schedule of Net Position by Program**  
**June 30, 2015 and 2014**

|                                       | Liability            | Workers'<br>Compensation | Insurance<br>Programs | 2015                 | 2014                 |
|---------------------------------------|----------------------|--------------------------|-----------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                          |                       |                      |                      |
| Current Assets:                       |                      |                          |                       |                      |                      |
| Cash and equivalents                  | \$ 6,961,812         | \$ 5,567,525             | \$ 2,203              | \$ 12,531,540        | \$ 11,003,942        |
| Short-term investments                | 2,082,959            | 1,665,790                | 659                   | 3,749,408            | 8,222,866            |
| Interest receivable                   | 621,108              | 500,742                  | 3,331                 | 1,125,181            | 1,020,043            |
| Retrospective deposits receivable     | 5,423,392            | 9,776,358                | -                     | 15,199,750           | 3,118,882            |
| Contributions receivable              | -                    | -                        | 361,917               | 361,917              | 32,554               |
| Accounts receivable                   | 51,806               | 3,658                    | -                     | 55,464               | 3,995                |
| Excess recoveries in progress         | -                    | 524,797                  | 3,167,760             | 3,692,557            | 2,124,595            |
| Prepaid expenses                      | 133,904              | 74,137                   | 749,432               | 957,473              | 222,988              |
| <b>Total Current Assets</b>           | <b>15,274,981</b>    | <b>18,113,007</b>        | <b>4,285,302</b>      | <b>37,673,290</b>    | <b>25,749,865</b>    |
| Non-Current Assets:                   |                      |                          |                       |                      |                      |
| Long-term investments                 | 123,950,615          | 99,126,206               | 39,226                | 223,116,047          | 202,762,129          |
| Retrospective deposits receivable     | 25,554,588           | 7,380,169                | -                     | 32,934,757           | 59,583,540           |
| Salvaged assets                       | 4,250,000            | -                        | -                     | 4,250,000            | 4,250,000            |
| Capital assets, not being depreciated | 2,367,145            | 1,378,143                | -                     | 3,745,288            | 2,841,062            |
| Capital assets, net of depreciation   | 1,680,219            | 1,159,470                | 1,182                 | 2,840,871            | 3,070,052            |
| Net pension assets                    | 25,788               | 23,683                   | 3,158                 | 52,629               | -                    |
| <b>Total Non-Current Assets</b>       | <b>157,828,355</b>   | <b>109,067,671</b>       | <b>43,566</b>         | <b>266,939,592</b>   | <b>272,506,783</b>   |
| <b>Total Assets</b>                   | <b>173,103,336</b>   | <b>127,180,678</b>       | <b>4,328,868</b>      | <b>304,612,882</b>   | <b>298,256,648</b>   |
| <b>Liabilities</b>                    |                      |                          |                       |                      |                      |
| Current Liabilities:                  |                      |                          |                       |                      |                      |
| Accounts payable                      | 172,449              | 111,318                  | 50,543                | 334,310              | 553,294              |
| Compensated absences                  | 153,047              | 140,553                  | 18,740                | 312,340              | 263,295              |
| Unearned contributions                | 5,887,042            | 4,271,605                | 749,432               | 10,908,079           | 13,124,434           |
| Retrospective refunds payable         | 10,544,208           | 3,693,499                | -                     | 14,237,707           | 538,336              |
| Claims payable, short-term            | 24,000,000           | 31,000,000               | -                     | 55,000,000           | 55,000,000           |
| <b>Total Current Liabilities</b>      | <b>40,756,746</b>    | <b>39,216,975</b>        | <b>818,715</b>        | <b>80,792,436</b>    | <b>69,479,359</b>    |
| Non-Current Liabilities:              |                      |                          |                       |                      |                      |
| Retrospective refunds payable         | -                    | -                        | -                     | -                    | 14,629,463           |
| Claims payable, long-term             | 63,926,000           | 57,988,000               | -                     | 121,914,000          | 115,553,000          |
| Net pension liability                 | 1,440,511            | 1,322,919                | 176,389               | 2,939,819            | -                    |
| <b>Total Non-Current Liabilities:</b> | <b>65,366,511</b>    | <b>59,310,919</b>        | <b>176,389</b>        | <b>124,853,819</b>   | <b>130,182,463</b>   |
| <b>Total Liabilities</b>              | <b>106,123,257</b>   | <b>98,527,894</b>        | <b>995,104</b>        | <b>205,646,255</b>   | <b>199,661,822</b>   |
| Deferred Inflows of Resources         | 383,616              | 352,300                  | 46,973                | 782,889              | -                    |
| <b>Net Position</b>                   |                      |                          |                       |                      |                      |
| Net investment in capital assets      | 4,047,364            | 2,537,613                | 1,182                 | 6,586,159            | 5,911,114            |
| Unrestricted                          | 63,078,921           | 26,249,443               | 3,350,485             | 92,678,849           | 92,683,712           |
| <b>Total Net Position</b>             | <b>\$ 67,126,285</b> | <b>\$ 28,787,056</b>     | <b>\$ 3,351,667</b>   | <b>\$ 99,265,008</b> | <b>\$ 98,594,826</b> |

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Schedule of Revenues, Expenses, and Changes in Net Position by Program**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

|  | Liability            | Workers'<br>Compensation | Insurance<br>Programs | 2015                 | 2014                 |
|--|----------------------|--------------------------|-----------------------|----------------------|----------------------|
| <b>Operating Revenues</b>                            |                      |                          |                       |                      |                      |
| Contributions  | \$ 42,783,316        | \$ 31,563,038            | \$ 9,741,053          | \$ 84,087,407        | \$ 83,854,253        |
| Retrospective adjustments, net                       | (5,573,149)          | (921,589)                | -                     | (6,494,738)          | 3,906,537            |
| Miscellaneous income                                 | 916,794              | 233,353                  | 379,976               | 1,530,123            | 670,766              |
| <b>Total Operating Revenues</b>                      | <b>38,126,961</b>    | <b>30,874,802</b>        | <b>10,121,029</b>     | <b>79,122,792</b>    | <b>88,431,556</b>    |
| <b>Operating Expenses</b>                            |                      |                          |                       |                      |                      |
| Coverages:   |                      |                          |                       |                      |                      |
| Incurred claims expenses                             | 28,865,060           | 19,945,361               | 459,536               | 49,269,957           | 54,974,657           |
| Claims administration                                | 2,450,017            | 2,655,357                | -                     | 5,105,374            | 4,814,541            |
| Excess and re-insurance premiums                     | 6,924,800            | 768,947                  | 8,741,303             | 16,435,050           | 16,342,239           |
| Contractual Services:                                |                      |                          |                       |                      |                      |
| Legal services                                       | 94,784               | 16,066                   | 4,230                 | 115,080              | 125,991              |
| Investment and bank services                         | 93,620               | 99,471                   | 1,950                 | 195,041              | 191,261              |
| Information technology support                       | 116,993              | 120,927                  | -                     | 237,920              | 167,041              |
| Risk management evaluations                          | 35,799               | 34,625                   | -                     | 70,424               | 55,010               |
| Loss control services                                | 40,073               | 23,535                   | -                     | 63,608               | 209,495              |
| Audit services                                       | 40,381               | 42,423                   | -                     | 82,804               | 84,114               |
| Actuarial services                                   | 28,635               | 32,599                   | -                     | 61,234               | 64,395               |
| Other contractual services                           | 211,797              | 175,761                  | 40,925                | 428,483              | 263,111              |
| General and Administrative:                          |                      |                          |                       |                      |                      |
| Salaries and employee benefits                       | 2,119,828            | 1,653,026                | 270,339               | 4,043,193            | 4,195,668            |
| Office expenses                                      | 158,200              | 191,682                  | 254                   | 350,136              | 216,630              |
| Member training and meetings                         | 849,743              | 745,666                  | 6,772                 | 1,602,181            | 1,259,658            |
| Risk management educational forum                    | 157,900              | 156,569                  | -                     | 314,469              | 260,091              |
| Depreciation   | 171,056              | 84,277                   | -                     | 255,333              | 255,319              |
| Utilities and Miscellaneous expenses                 | 123,780              | 104,613                  | -                     | 228,393              | 283,382              |
| <b>Total Operating Expenses</b>                      | <b>42,482,466</b>    | <b>26,850,905</b>        | <b>9,525,309</b>      | <b>78,858,680</b>    | <b>83,762,603</b>    |
| <b>Operating Income (Loss)</b>                       | <b>(4,355,505)</b>   | <b>4,023,897</b>         | <b>595,720</b>        | <b>264,112</b>       | <b>4,668,953</b>     |
| <b>Non-Operating Revenues</b>                        |                      |                          |                       |                      |                      |
| Investment income                                    | 1,931,798            | 1,524,657                | 10,622                | 3,467,077            | 3,974,988            |
| Net increase (decrease) in<br>investment fair values | 23,402               | 39,215                   | 633                   | 63,250               | 424,200              |
| <b>Total Non-Operating Revenues</b>                  | <b>1,955,200</b>     | <b>1,563,872</b>         | <b>11,255</b>         | <b>3,530,327</b>     | <b>4,399,188</b>     |
| <b>Change in Net Position</b>                        | <b>(2,400,305)</b>   | <b>5,587,769</b>         | <b>606,975</b>        | <b>3,794,439</b>     | <b>9,068,141</b>     |
| <b>Beginning Net Position as Originally Stated</b>   | <b>71,057,476</b>    | <b>24,605,203</b>        | <b>2,932,147</b>      | <b>98,594,826</b>    | <b>89,526,685</b>    |
| <b>Prior Period Adjustment</b>                       | <b>(1,530,886)</b>   | <b>(1,405,916)</b>       | <b>(187,455)</b>      | <b>( 3,124,257 )</b> |                      |
| <b>Beginning Net Position as Restated</b>            | <b>69,526,590</b>    | <b>23,199,287</b>        | <b>2,744,692</b>      | <b>95,470,569</b>    |                      |
| <b>Ending Net Position</b>                           | <b>\$ 67,126,285</b> | <b>\$ 28,787,056</b>     | <b>\$ 3,351,667</b>   | <b>\$ 99,265,008</b> | <b>\$ 98,594,826</b> |

blank