COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019 and 2018

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

Yolo County, California

Yolo County Public Agency Risk Management Insurance Authority

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019 and 2018

Prepared By:
YCPARMIA Staff
Holly Lyon, Financial Analyst

77 West Lincoln Avenue
Woodland, California 95695
www.ycparmia.org

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal	i
Mission Statement	xi
Board of Directors	xii
Organizational Chart	xii
Certificate of Achievement for Excellence in Financial Reporting, GFOA	xiv
Certification of Accreditation with Excellence, CAJPA	xv

Financial Section

Report of Crowe LLP, Independent Auditors	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position	10
Statement of Revenue, Expense, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13

Required Supplemental Information

Schedule of Other Post-Employment Benefits (OPEB)	36
Reconciliation of Claims Liabilities	40
Ten-Year Schedule of Claims Development	42

Statistical Section

Financial Trends	45
Revenue Capacity	49
Debt Capacity	52
Operating Information	54
Demographic and Economic Information	58
Coverage Programs	62
Liability Program: Discussion and Illustrations	63
Workers' Compensation Program: Discussion and Illustrations	65
Property Program: Discussion and Illustrations	67
Fidelity Program: Discussion and Illustrations	69

Other Considerations

Independent Auditor's Report on Internal Controls	70
Financial Internal Controls Policy	72
Investment Policy	77
Fixed Assets Depreciation Schedule	94
GASB 75 Actuarial Report of Other Post-Employment Benefits (OPEB)	97

INTRODUCTORY SECTION

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT
INSURANCE AUTHORITY
77 W. Lincoln Avenue, Woodland, CA 95695 * P: (530) 666-4456 * F: (530) 666-4491 * www.ycparmia.org
Since 1979

December 20, 2019

Yolo County Public Agency Risk Management Insurance Authority
Board of Directors
77 West Lincoln Avenue
Woodland, CA 95695

Dear Board Members:

Attached is the Comprehensive Annual Financial Report of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA or the "Authority") covering Fiscal Year 2018-2019 for your review and consideration. The report is prepared by YCPARMIA staff under the direction of our financial analyst, Holly Lyon. The Authority's management takes full responsibility for the accuracy, completeness, disclosure, and fairness of the data presented. Since the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data, as presented, is materially accurate in all respects and allows the reader to gain a maximum understanding of YCPARMIA's overall financial health.

Crowe LLP, a firm of licensed certified public accountants, has audited YCPARMIA's financial statements. They concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the fiscal year ended June 30, 2019 and 2018 are fairly presented in conformity with Generally Accepted Accounting Principles.

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Yolo County Public Agency Risk Management Insurance Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2018 and 2017. This was the 12th consecutive year that the government has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
77 W. Lincoln Avenue, Woodland, CA 95695 * P: (530) 666-4456 * F: (530) 666-4491 * www.ycparmia.org

INTRODUCTORY COMMENT

As will be discussed below, and to some degree in Management's Discussion and Analysis, YCPARMIA is the collective mechanism of its members to finance and mitigate cost of individual and group risk that is inherent in their governmental operations. By pooling the cost of claims, risk-related services, and purchasing group excess and reinsurance, member costs are (subject to individual claim deductibles) intended to be limited to their annual premium/cash payments to YCPARMIA. By restricting membership in YCPARMIA to public entities that have substantial activity in Yolo County, our members are able to pool their resources to address exposures that are common to all based on their governmental activities and geographic location.

To establish a perspective, it is important to note that YCPARMIA is a public entity made up of public entities; there is no profit motive. Our financial success is predominantly measured by controlling budgeted expenses. Ultimately, our revenues coming almost entirely from premiums, are tied to those budgeted expenses. An annual actuary study projects future premiums that are partially based on current and historical claims expenses. When we "beat" the budgeted costs, we get lower premium figures from our actuary study which enables us to further reduce our members' premiums through rebate credits drawn against developed surplus.

Similarly, there is a related factor that must be remembered: YCPARMIA has two main sources of revenue – premium/cash payments made by our members and investment returns on our program reserves and operating funds. In addition, excess redistribution from our excess carrier is available based on program funding which is directly passed down to our members' costs. Over the last ten years, we have experienced a continuing trend of reduced investment rates. While California governments are trying to make do with less, the ongoing expense from risk continues to rise making loss prevention and effective claims management essential for the ongoing success of YCPARMIA and its members.

PROFILE

YCPARMIA, a stand-alone California public entity, is a Joint Powers Authority made up of thirty-two (32) entities all located in Yolo County. Responding to a hard market that made traditional insurance unavailable, the Authority was established on March 1, 1979 under a number of California Government, Labor, and Educational Code sections that empower public agencies to self-insure and jointly fund their risk-related expenditures. The Authority operates in a manner similar to a privately held insurance company with self-insured programs, subject to varying member deductibles, and at the primary level for workers' compensation, liability, property, and fidelity losses. It also offers coverages purchased from the insurance industry on a pass-through basis to respond to members' exposures that fall outside the offered programs. Additionally, YCPARMIA offers risk management, claims management, and loss prevention services to its members usually at no additional cost.

Pursuant to its Joint Powers Agreement and By-laws, YCPARMIA is governed by a six-person Board of Directors appointed by six member agencies; the other twenty-six (26) member agencies are non-voting associate members. The Board elects from its members a President and Vice President. The Chief Executive Officer/Risk Manager serves as Board secretary, and Yolo County's Treasurer/Tax Collector serves as the Authority's treasurer. Responsible to the Board, the Chief Executive Officer/Risk Manager oversees the staff and daily operations of the Authority. Including the Chief Executive Officer/Risk Manager, the staff is made up of:

- Administrative Assistant
- Claims Analyst/Administration
- Claims Investigator/Adjustor
- Financial Analyst/Accountant
- Loss Prevention Analyst
- Workers' Compensation Wellness Nurse

While the day-to-day operations of the authority is under the direction of the CEO/Risk Manager, the Board has approved a number of policies intended to provide direction in that management. Included are policies that are directly connected to financial matters including internal controls (a copy of which is included), audits, reserves, margins, funding, growth, and investments. YCPARMIA also contracts with outside providers for various services including financial audits, actuary studies, workers' compensation claims administration, claims audits, and legal and defense counsel. It also maintains relationships with a number of insurance brokers.

MEMBERSHIP

By Board policy, membership is limited to public entities "with substantial activity within the County of Yolo."

The current voting Members making up the Board of Directors are:

County of Yolo (1979)
City of Woodland (1979)
City of Davis (1979)
City of Winters (1979)
Esparto School District (1979)
City of West Sacramento (1985)

The current Associate (non-voting) Members are:

YCPARMIA (1979)
Yolo-Solano Air Quality Management District (1985)
Yolo County Communications Emergency Services Agency (1988)
Capay Fire Protection District (1986)
Springlake Fire Protection District (1983)
East Davis Fire Protection District (1997)
California Superior Courts, County of Yolo (1999)
No Man's Land Fire Protection District (2000)
Yolo County Law Library (2001)
Yolo County In-Home Supportive Services Public Authority (2002)

77 W. Lincoln Avenue, Woodland, CA 95695 * P: (530) 666-4456 * F: (530) 666-4491 * www.ycparmia.org

Yolo County LAFCO (2003)
Davis Cemetery District (2003)
Madison Fire District (2003)
Winters Fire Protection District (2006)
Yolo County Habitat Conservation, JPA (2003)
Winters Cemetery District (2003)
Dunnigan Fire Protection District (2004)
Cottonwood Cemetery District (2005)
Clarksburg Fire Protection District (2005)
Sacramento-Yolo Port District (2006)
Madison Community Services District (2008)
Woodland-Davis Clean Water Agency (2009)
West Plainfield Fire Protection District (2016)
Willow Oak Fire Protection District (2016)
Esparto Fire Protection District (2017)
Valley Clean Energy Alliance, JPA (2017)

YCPARMIA, in turn, is a member of a number of other entities including:

- California Joint Power Risk Management Authority (CJPRMA) – through which it obtains excess liability coverage.
- CSAC-Excess Insurance Authority (CSAC-EIA) – through which it obtains excess workers' compensation coverage and excess property coverage.
- California Association of Joint Power Authorities (CAJPA) – from which it currently holds their "Accreditation with Excellence."
- Association of Governmental Risk Pools (AGRIP) – from which it has received their recognition for compliance with the AGRIP advisory standards.

PROGRAMS AND SERVICES

With the exception of the liability program, participation in offered programs and services is at the individual member's discretion. Coverage programs (liability, workers' compensation, property, and fidelity) are structured with the members carrying a $1,000 deductible per occurrence (or up to $5,000 in the liability program), and the collective membership pooling of losses over the deductible and up to excess limits. Coverage limits over YCPARMIA's pooled retentions are obtained either through participation in other Joint Power Authorities that provide excess coverage, or through the purchase of excess or reinsurance in the commercial market. Specific programs will be discussed in greater detail below.

Virtually all risk management and loss prevention services are offered at no additional cost to YCPARMIA's members. Consulting and training are offered in a variety of areas that include CPR/first aid; defensive driving; contract risk transfer; sexual harassment; fork lift certification; backhoe and aerial lift safety; workplace violence; work zone safety; and government code substantive and procedural law. Ergonomic evaluations, respirator fit testing, Cal-OSHA type inspections, noise and indoor air quality surveys, and playground inspections are also offered. Workplace and third-party accidents are also investigated, while

claim and litigation management is provided in response to member needs. YCPARMIA provides access to its members an online safety library that can be accessed from anywhere and maintains an onsite safety video library with over 1,500 titles. Value appraisals are periodically conducted on most of our member's property and updated job physical analyses were conducted for all member positions. As new member needs and interests are identified, additional services are added. On a group discounted cost, pass-through to participating members, mandatory hearing and DOT driver testing is coordinated and conducted. Similarly, group discounted insurance coverage falling outside YCPARMIA's programs is also offered.

BUDGET PROCESS

The Authority's governing documents require that the Board approve a budget prior to the start of each fiscal year. The staff recommends figures based on historical results, anticipated trends, actuarial data, and claims development. The goal is to obtain board approval of firm budgetary figures by the end of March so that members may complete their own budgets. The approved budget figures, for both revenue and expense, are used in the premium formulas which determine participating members' annual costs. An annual review of performance against the budget is provided to the Board. The Board is empowered to, and has in the past, approve mid-year adjustments to budget line items as unanticipated developments occur. With revenue sources basically limited to our members' general funds, it is essential that YCPARMIA stay within its budgeted expenses to avoid the necessity of unexpected member assessments to cover our risk funding responsibilities.

REVENUE AND FUNDING

As mentioned previously, the majority of YCPARMIA's revenue comes from either cash payment premiums paid by members for the four major programs or investment income (which will be discussed below). The Authority's By-laws provide an "Annual Cash Payment Formula" for each program. Additionally, the YCPARMIA Board has adopted board policies that define and set program funding levels that impact each program. The most significant component of the liability and workers' compensation cash payment formulas are the actuarial determined claims cost.

The YCPARMIA Board approves the premiums and their apportionment to individual members during the spring board meeting. Staff bills the members in early July with payment anticipated within sixty days. Again, but for quarterly investment returns, the premium/cash payment is YCPARMIA's primary source of revenue. The entity's By-laws allow the Board to declare a surcharge/assessment in the unlikely event that adverse financial developments require additional funding.

On an annual basis, using December 31 claims data that is projected to the end of our fiscal year, YCPARMIA has an independent actuarial study conducted on the workers' compensation and liability programs that determines:

- Program funding at various confidence levels; and

- Recommended premiums for the coming fiscal year at various confidence levels.

By Board policy:

- A 70% confidence level will be used for the "Actuarial Determined Claims Cost" that is found as a variable cost in the premium funding formulas described below.
- Program reserves are funded to an amount "in excess of an 80% confidence level" which are booked:
    - As a liability to the expected/50% actuarially determined confidence level
    - With the balance as a restricted fund in net position
- A catastrophic fund will be maintained in set amounts as a Board restricted fund in net position earnings.
- The Board can designate excess reserves to be used as premium credits after determining that program reserves, confidence margins, and catastrophic funds are all fully funded.

LIABILITY
This program provides general liability, auto liability, cyber liability, errors and omission, personal injury, and employment practice coverage for all members. In the last few years, pollution and legal liability coverage was added subject to a coverage sub-limit. Individual members choose per occurrence deductibles that range from $1,000 to $5,000. YCPARMIA pools coverage in excess of

the deductible to $500,000. Excess coverage is provided through membership in an excess pool, the California Joint Powers Risk Management Authority. Coverage limits through pooling and reinsurance total $40 million per occurrence.

The premium formula for YCPARMIA's members is broken into three parts:

1. Fixed costs: apportioned by the member's percentage of total payroll -- consisting of budgeted excess coverage expense, administrative/service costs (arbitrarily set at 34% of the authority's budgeted total) and reduced by budgeted rebate credits from our excess pool.
2. Variable costs: apportioned by the member's three-year history of *incurred* claims costs -- consisting of actuarial determined claims cost and other unspecified expenses.
3. A cap: applied to the total that keeps member premiums from either falling or rising more than 50%; this is designed to avoid unreasonable volatility due to adverse claims development.

To the resulting figure, Board approved rebates/credits funded by excess surplus in net position are applied, if any. A member's share of the cash payment/premium cost can float within the total premium due to their own claim history, or the collective claim history development of the other members.
The Liability Program ended the fiscal year with fully funded program reserves, confidence margin, and catastrophic fund.

WORKERS' COMPENSATION

This program provides coverage for participating members to meet their obligations for state mandated benefits laid out in the Labor Code. Members have a $1,000 deductible per occurrence, and YCPARMIA pools limits up to $500,000. Through membership in an excess pool, CSAC-EIA, statutory coverage limits (payment of whatever benefits the Labor Code requires on an individual claim) are provided. The program premium is similar to that of the Liability Program with a few significant differences noted in italics.

Again, the premium formula is broken into three parts:

1. Fixed costs: apportioned by the member's share of total payroll -- consisting of excess coverage costs, administrative/service expenses (set arbitrarily at 62% of the total budgeted amount), and police wellness program expenses.
2. Variable costs: apportioned by three years of claim *payments* with individual files *capped at $75,000* (to limit the impact of catastrophic losses) – made up of TPA claims administration costs, the actuarially determined claims costs, and the California Department of Insurance assessment.

3. A cap: applied to keep individual member's total cash payment from increasing or decreasing more than 50%.

To the resulting figures, Board approved credits out of net position surplus, if any, are applied. Again, as with Liability, the individual member's share of the total premium will float depending on their history and corresponding history of other members. On an overall basis, the history of member cost per $100 of payroll after rebates has been flat since 2014. The latest major workers' compensation "reforms" took place on January 1, 2013 and have resulted in a continuing trend of benefit inflation. In our workers' compensation pool, the medical costs component of claims has been rising about 5% annually.

The Workers' Compensation Program was fully funded in program reserves and confidence margin at the end of the fiscal year, but only 47.62% funded in catastrophic funds.

PROPERTY, BOILER AND MACHINERY

This program covers the member listed/declared real property, contents, and vehicles of our participating members on an all-risk basis. Flood coverage is included, while earthquake and other specified coverages are subject to sub-limits. Each loss is subject to a $1,000 deductible ($10,000 on vehicles, $5,000 on boiler and machinery losses), while YCPARMIA pools coverage to $25,000. Excess insurance is obtained through membership in an excess pool, CSAC-EIA, with shared limits coverage of $600 million.

Program costs are made up of a budgeted primary loss fund, excess premium costs, and a proportionate share of budgeted administrative/service costs (arbitrarily set at 3%). The resulting figure is then apportioned among participating members by their percentage share of declared property values. Any Board approved rebate credits are applied to those figures. Since 1995, we have seen a 500% increase in insured values that now exceed $1.3 billion. Property insurers have recently suffered from insured natural disasters. A hardening excess property market has seen a retraction in some coverages in the form of higher deductibles and lower sub-limits, while premium rates have risen.

The Property Program ended the fiscal year with fully funded program reserves, confidence margin, and catastrophic funds.

FIDELITY

This program provides fidelity coverage in the form of Employee's Dishonesty and Faithful Performance of Duty Blanket Bond, Crime coverage and Depositors Forgery Bond to all participating members' employees and elected officials. The program is also designed to satisfy specific individual state bonding requirements of various elected positions. All members have a $1,000 deductible, and YCPARMIA pools up to $25,000. The coverage limit for any loss has been increased from $100 to $2 million obtained through commercial coverage.

The program premium is made up of excess insurance costs, a primary loss fund, and percentage of YCPARMIA's budgeted administrative/service expense (arbitrarily set at 1%). The total is apportioned by applying the individual member's percentage of total payroll. Any Board approved rebate/credits are applied to the premium figures.

The Fidelity Program ended the year fully funded in program reserves, confidence margin, and catastrophic funds.

MISCELLANEOUS COVERAGE

YCPARMIA, responding to identified member exposures, obtains coverages that address unique individual needs of member entities on a pass-through basis. These coverages include:

- Aviation Liability
- Drone Liability
- Friends of the Library Liability
- Landfill Pollution Liability
- Marine Liability and Hull
- Medical Malpractice
- Pollution Liability
- School Bus Liability and Physical Damage
- Special Event Liability Coverage
- Underground Storage Tank

INVESTMENT

As indicated above, YCPARMIA's second source of revenue (with cash payment/premiums being the primary) is return on investments of its program reserves and operating funds. During Fiscal Year 2010-2011, the Board adopted a new Investment Policy with the primary objectives of safety, liquidity, and return. For the first time, YCPARMIA has retained the services of an investment management firm. While ongoing operating expenses remain invested in the Local Agency Investment Fund (LAIF), a longer termed investment fund made up primarily of program reserves and catastrophic funds, are now managed by Chandler Asset Management. The current trend suggests a return on this fund at approximately 4.87%

after fees, and 2.57% paid by LAIF on our operating fund. It is important to remember that as a primary pool, we need a significant amount of liquidity to meet unanticipated claims expenses.

EXPENSES

YCPARMIA's ongoing expenses can be grouped into four budget areas with the proportionate share remaining stable when compared to previous years.

1. Administration: approximately 13% of budgeted expenses, including services below -- includes the staffing and overhead of the Authority. This area is subject to normal business inflationary pressures but is capable of being tightly budgeted.

2. Services: part of the Administration percentage -- are primarily costs that provide risk management and loss prevention training and services to members. The costs in this area fluctuate according to member interest, needs, and participation. This area has a direct relationship with claims costs that is difficult to quantify. Safety programs, as a matter of common sense, should result in reduced claim frequency and severity. As our numbers are relatively small, any large or combination of claims can have a significant impact on our financial position. At the same time, recognizing that claim frequency breeds claim severity, the cost of loss prevention should more than pay for itself in claim cost savings.

3. Claims costs: approximately 45% of budgeted expenses -- are the settlement and defense costs within the primary pooled layers (and are the focus of our annual actuarial study). Claim and litigation management is damage control after a loss/claim. Strategies on individual files, as well as overall program philosophies, impact decisions that involve settlements, denials, and litigation costs. Many decisions must be made on questionable claims that fall within a "gray area" that balances an immediate fiscal resolution against the adverse impact of a reputation that invites future meritless claims. As a result, ongoing claims analysis that track claim trends in frequency, severity, type, cause, and duration is essential for budgeting, setting retention limits, claims handling, and loss prevention.

4. Excess costs: approximately 42% of budgeted expenses -- are the premiums paid for coverage limits beyond the primary pooled layers. Costs for these coverages are often impacted by forces beyond YCPARMIA's immediate control. They are sensitive to industry trends in both the commercial and self-insured sectors and can be greatly impacted by a number of other factors. This category also includes state assessments and wellness programs for member's public safety staff.

NET POSITION AND REBATE CREDITS

When expenses are kept within budget, and claims are handled in a manner that "beats" the actuarial projections, a positive net position develops. As indicated above, the net position is subject to two Board established restricted funds:

1. Confidence Margin
2. Catastrophic funds

At the end of the fiscal year, any additional funds in net position are available for carryover in anticipation of adverse program trends or redistribution to members in the form of premium rebates/credits. Rebates/credits have become a common feature for YCPARMIA members and have allowed the Authority to stabilize premium/cash payment costs for its members.

CONCLUSION

YCPARMIA's history of success is tied to the cooperation and commitment of its members, the support and direction of its Board, and the dedication of its staff. The ability of all involved to work towards common goals, while addressing individual needs, has created a stable response to the uncertain variables of member risk.

Respectfully submitted,

Armond Sarkis
CEO/Risk Manager

Holly Lyon
Financial Analyst

MISSION STATEMENT

To protect the members' resources from the impact of loss through a program of insurance coverage, prevention, education, training and service.

OBJECTIVES

- ✓ Assess and address the needs of the members
- ✓ Provide the most cost-effective insurance coverage available
- ✓ Provide the most relevant training and education
- ✓ Maintain the organizational strength of YCPARMIA
- ✓ Provide responsive and comprehensive risk management services

BOARD OF DIRECTORS

Sheila McShane
President, City of Woodland

Janet Emmett
Vice President, City of Davis

Crystal Zaragoza
Director, City of Winters

Rebecca Spiva
Director, Esparto Unified School District

Jill Cook
Director, County of Yolo

Kryss Rankin
Director, City of West Sacramento

ALTERNATE BOARD MEMBERS

Kimberly McKinney
City of Woodland

Christopher Bensch
City of Davis

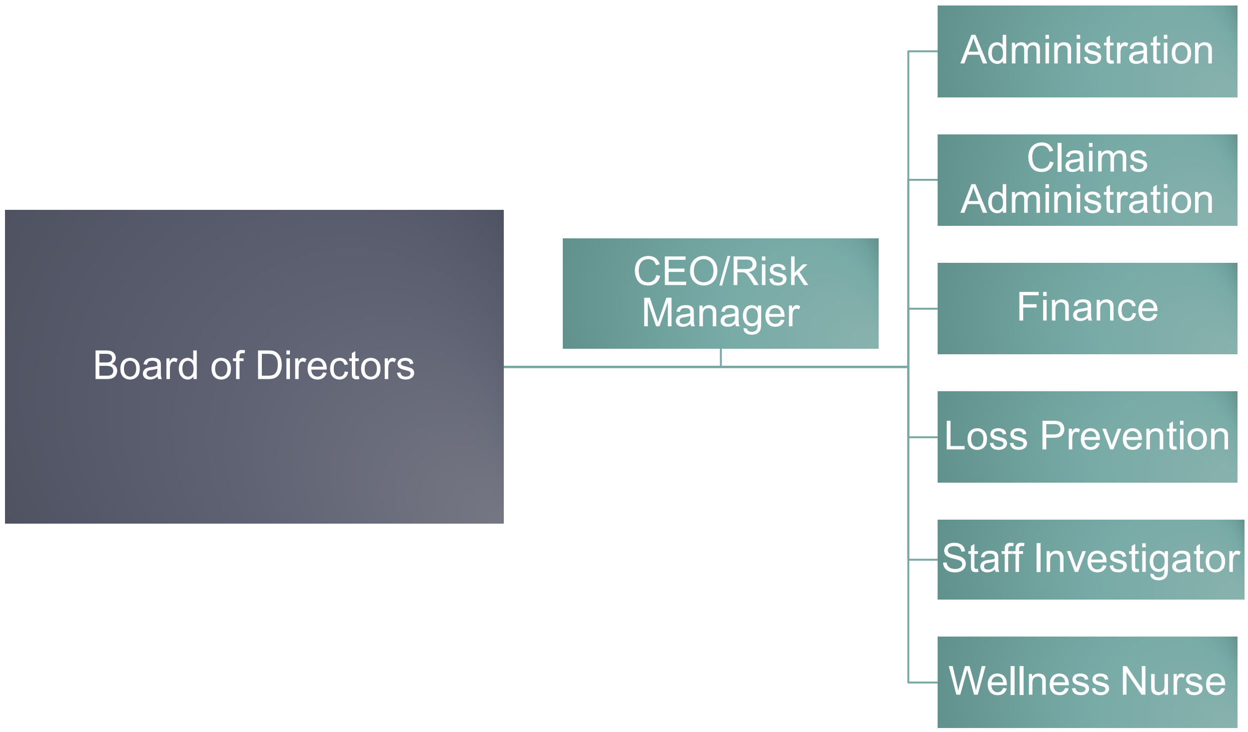
John Donlevy
City of Winters

Leah Smith
Esparto Unified School District

Gary Engel
County of Yolo

Liane Lee
City of West Sacramento

ORGANIZATIONAL CHART



YCPARMIA's CEO/Risk Manager reports directly to the Board of Directors who are appointed by its members. Each of the six staff members fill the remaining positions that report directly to the CEO/Risk Manager.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Yolo County

Public Agency Risk Management

Insurance Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

CAJPA
California Association of Joint Powers Authorities

Trusted Leadership for California's Public Risk Sharing Pools

It is the purpose of this organization to give professional recognition to properly qualified self-insurance pools.

THEREFORE, the Board of Directors of the California Association of Joint Powers Authorities, has conferred upon

Yolo County Public Agency Risk Management Authority

this

CERTIFICATE OF ACCREDITATION WITH EXCELLENCE

having fulfilled the conditions of eligibility as prescribed by the Association for Accreditation.

California Association of Joint Powers Authorities
Accredited with Excellence

Accreditation Period: April 7, 2018 to April 7, 2021

David Clovis
President

Michael Fleming
Chairman, Accreditation Committee

James P. Marta
Accreditation Program Manager

FINANCIAL SECTION

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

FINANCIAL STATEMENTS
June 30, 2019 and 2018

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
Woodland, California

FINANCIAL STATEMENTS
June 30, 2019 and 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION	10
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION	11
STATEMENTS OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY	36
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	37
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS	38
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION	39
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT	40
CLAIMS DEVELOPMENT INFORMATION	42
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	45

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Yolo County Public Agency Risk
Management Insurance Authority
Woodland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Yolo County Public Agency Risk Management Insurance Authority as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Yolo County Public Agency Risk Management Insurance Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yolo County Public Agency Risk Management Insurance Authority, as of June 30, 2019 and 2018, and the changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, the Schedule of Changes in Other Postemployment Benefits (OPEB) Liability on page 37, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 37, the Schedule of the Authority's Contributions on page 38, the Reconciliation of Claims Liability by Type of Contract on pages 40 and 41, and the Claims Development Information on pages 42 through 44, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 18, 2019 on our consideration of Yolo County Public Agency Risk Management Insurance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yolo County Public Agency Risk Management Insurance Authority's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
October 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

This section of Yolo County Public Agency Risk Management Insurance Authority's (YCPARMIA or "the Authority") annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended June 30, 2019. Please read this document in conjunction with the accompanying basic financial statements.

YCPARMIA is a joint powers authority, and separate public entity, created in 1979 that oversees a risk sharing and management program for thirty-two (32) participating Yolo County public entities. The Authority has a governing board comprised of six voting governmental entities. In addition to a staff of seven, the Authority retains outside providers to act as board counsel; adjust workers' compensation claims; and conduct annual financial audits, claim audits, and actuarial studies. It is the stated mission of the Authority "to protect the members' resources from the impact of loss through a program of insurance coverage, prevention, education, training, and service." Member entities are assessed annual premium/cash contributions for participation in the Authority's programs and services.

While the annual financial audit has great value in confirming the accuracy of our accounting practices, it does not really reflect the fiscal performance of the Authority. To best understand our year-end position there are three interrelated areas to consider:

1. The trending of our members' premium/cash payments;
2. Our performance against our Board approved budget; and
3. The funded program reserve levels of our programs.

Premium/Cash Payments
Assuming adequate coverage, our members risk cost should, hopefully, be capped at the premium/cash payments that they make to YCPARMIA plus any applicable claim deductibles. This allows them to budget for their risk exposure and in "good years" to receive premium rebate credits. Premiums history by program reflects that after any Board approved premium rebates, the:

- Property Program rate charged to our members has declined for the past 2 years, and remains range bound for the last 9 years;
- Fidelity Program has seen essentially flat premiums and rates for the last 12 years;
- Liability Program rates charged to our member have increased year over year for the last 4 years;
- Workers' Compensation Program rates charged to our members for the last 5 years remain stable, are within a very narrow range, and are essentially flat;
- Workers' Compensation Program, faced with medical and State Legislated benefit inflation, has seen a recent upward trend in premium costs but have been offset by "good" claims trends;

- At the conclusion of FY 2017-2018 the Board approved premium rebates in the amount of $657,000 which were applied to member premiums for FY 2018-2019.

Budget
An analysis of performance against the Board approved budget requires some discussion. The most critical factor is that the biggest portion of our budget covers claims payments which, by definition, are variable and uncertain. It is followed closely by excess coverage cost which is industry generated, largely outside our control, and based on premium formulas driven by increasing member payrolls.

The YCPARMIA budget has three basic parts:

1. **Revenue** – which came in higher than expected due primarily to increases in investment returns experienced in the fourth quarter of FY 2018-2019.
2. **Administrative and Service Expenses** – making up 13% of our total budget, came in at 99% its approved level; and
3. **Coverage Expense** (excess premiums and claims costs) – which represents about 87% of YCPARMIA's total budgeted expenses, came in a bit under 117% of the budget. This area of the budget is made up of three components:

    - Claims payments: which came in under budget despite a few adverse claims in the workers' compensation program.
    - Excess coverage costs: an area of expense that is dependent on industry developments and is largely out of our control, came in under budget; and
    - Unbudgeted actuarial program reserve adjustments: our actuary study raised program reserves for both our Liability Program ($360,671) and for Workers' Compensation Program ($702,093) which was the main cause for exceeding our coverage expenses – these actuarial adjustments are not included in the budget but are recorded against program expenses.

YCPARMIA obtains excess coverage above its self-insured retention (SIR) through membership in two excess public entity JPA's. Their premiums are determined by formulas that apply a rate to member payroll. Recently, member payroll has been dramatically exceeding member budgets. This is due partly as a result of members transferring benefit costs to their employees while partially offsetting salary increases. This is cost neutral to our members but driving increased excess premium costs for YCPARMIA.

Funded Program Reserves and Dedicated Surplus
The last element of our fiscal health deals with funded program reserves and dedicated retained earnings/surplus. Accounting standards call for the Authority to book actuarially determined program reserves at expected (essentially a 50% confidence level). Our Board then sets aside restricted funds in our retained earnings/net position to fund confidence margins (actuarially determined 80% confidence) and separate Board approved catastrophic funds. At the end of the fiscal year our:

- Liability Program has fully funded program reserves, confidence margin and catastrophic fund;

- Workers' Compensation has fully funded program reserves and confidence margin but is only funded 47.6% in catastrophic funds; and
- Property and Fidelity Programs are fully funded in program reserves, confidence margin and catastrophic funds.

In summary, for Fiscal Year 2018-2019, YCPARMIA came in over budget in both Revenues and Expenses but ended the year with fully funded program reserves and confidence margins. YCPARMIA also has fully funded catastrophic funds in all programs except for Workers' Compensation. The goal for the coming year is to maintain the funding levels in the fully funded programs, return the Workers' Compensation Program to a fully funded position, stabilize premiums at their current levels, and continue to build an excess surplus that can be used to reduce our members' financial contributions to YCPARMIA.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS AND FINANCIAL REPORTING

The financial statements consist of three parts: Management's Discussion and Analysis, the basic financial statements, and supplementary information.

Please note:

- The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position provide an indication of the Authority's financial health.
- The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and indicates net position available for future purposes.
- The Statement of Revenues, Expenses and Changes in Net Position report all revenues and expenses used by operating activities, as well as other cash sources such as investment income.
- More detailed data is available in the notes to the financial statements section.
- This report, in addition to the basic financial statements, contains other supplementary information including a reconciliation of claims liabilities and claims development information as required elements.

In addition to the above, the YCPARMIA Board:

- Approves an annual budget prior to the start of each fiscal year.
- Accepts and approves annual financial audits, claims audits, and actuarial studies.
- Receives monthly in-house accounting reports including Budget versus Actual, Trial Balance, and Balance Sheet.
- Receives a quarterly Statement of Revenues, Expenses and Net Position, including restricted funds, on each program.
- Sets policy to fund at an actuarial determined 70% confidence level and maintains designated net position at a confidence margin in excess of 80% of

its program loss reserves for the Liability and Workers' Compensation programs.

- Sets policy to maintain designated net position as a catastrophic fund for each program.
- Sets funding and confidence margins for the Fidelity and Property programs.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

	As of Fiscal Year Ended		
	June 30, 2019	June 30, 2018	June 30, 2017
Current Assets	$ 7,137,161	$ 5,214,254	$ 6,630,962
Non-current Assets			
Deposits	305,000	305,000	305,000
Investments	12,940,465	12,360,274	11,962,707
Capital Assets	106,925	103,118	112,752
Total Non-Current Assets	13,352,390	12,768,392	12,380,459
Total Assets	20,489,551	17,982,646	19,011,421
Deferred Outflows of Resources	278,110	523,578	282,047
Current Liabilities	4,353,917	5,038,780	4,747,938
Non-current Liabilities	11,004,522	9,970,112	10,019,057
Other Post-Employment Benefits	893,130	844,036	658,977
Total Liabilities	16,251,569	15,852,928	15,425,972
Deferred Inflows of Resources	150,320	87,139	64,325
Net Position			
Investment in Capital Assets	106,925	103,118	112,752
Unrestricted	4,258,847	2,463,039	3,690,419
Total Net Position	**$ 4,365,772**	**$ 2,566,157**	**$ 3,803,171**

	As of Fiscal Year Ended		
	June 30, 2019	June 30, 2018	June 30, 2017
Revenues			
Operating Revenues	$ 10,793,365	$ 9,977,374	$ 9,878,304
Investment Revenues	794,249	31,197	(26,758)
Total Revenues	11,587,614	10,008,571	9,851,546
Total Expenses	9,787,999	11,075,622	9,218,368
Change in Net Position	1,799,615	(1,067,051)	633,178
Net Position, beginning of year	2,566,157	3,803,171	3,169,993
Cumulative Effect of GASB 75	-	(169,963)	-
Net Position, beginning of year restated	2,566,157	3,633,208	3,169,993
Net Position, End of Year	**$ 4,365,772**	**$ 2,566,157**	**$ 3,803,171**

Liability Program
At the primary level (claims under $500,000 per occurrence), this program has had three years of back to back bad years due to significant claims activity. 2018-2019 was unfortunately no different. Excess coverage, up to $40 million per occurrence, is provided through membership in the California Joint Powers Risk Management Authority (CJPRMA).

- Since FY 2015-2016 we have witnessed premium increases on average about 8%;
- Member costs per $100 of payroll, at about $1.62, are 64% of our 1995 figures (which were $2.52 per $100 of payroll);
- Program reserves and confidence margins are fully funded as of the end of FY 2018-2019; total coverage limits, subject to approved sub-limits, have increased from $10 million in 1995 to $40 million per occurrence today and are applied to broader coverage that includes employment liability and pollution liability (subject to sub-limits). We have also added coverage for cyber and drone liability in the recent past;
- Claim frequency and severity is up over historical averages. We are seeing increased pothole and tree claims that are probably indicative of deferred maintenance.

Workers' Compensation Program
YCPARMIA, subject to a $1,000 per claim member deductible, pools losses up to $500,000 per occurrence. Excess coverage to statutory limits is provided through membership in CSAC-EIA. This program continues to face inflationary pressures generated by State Legislative benefit increases and medical cost increases. On the positive side, our claims administrator is providing excellent service, and our medical provider network continues to provide substantial benefit.

- Member cost, after a $650,000 Board approved premium rebate, per $100 of payroll is $2.46 or about 41% less than it was in Fiscal Year 1995-1996 ($4.14 per $100 of payroll). Costs are trending relatively flat, despite legislated benefit inflation;
- Claim frequency has been steady and range bound for the last five years;
- Claim severity, as measured by indemnity losses, has been trending slightly upward;
- Benefits paid for injured workers averaged $272,891 per month as opposed to $260,938 the previous year; and
- Future reserves at the end of FY 2018-2019 increased to $6,721,478, which was about $1 million higher than at the same time the year before but well below our historic high of $9.1 million in 2014.

Property/Boiler and Machinery/Physical Damage Program
This combined program, due to the small number of claims and low retention level, is not part of our annual actuarial study. Our retention level is $25,000; there is a $10,000 deductible for auto physical damage. Excess coverage is under a shared limits policy through membership in CSAC-EIA.

- There were some unexpected losses in the program this past fiscal year, resulting in a slight uptick in severity of losses. Frequency remained relatively constant;
- The program is now fully funded;
- Declared property values have increased from $260 million in 1995 to just over $1.3 billion at the end of this fiscal year (a 500% increase);
- YCPARMIA has cut rate per $1,000,000 in coverage it charges its members from $0.61 two years ago to $0.49 in FY 2018-2019;
- All risk coverage continues to include flood and partial earthquake, along with some other coverages for risks unique to public entities;
- With the world insurance market hardening, the excess group, in an effort to mitigate premium increases, has placed sub-limits on some risks and increased the vehicle physical damage deductible. With recent weather and fire events around the world, and California specifically, we can anticipate that the property market will continue to harden.

Fidelity Program
The Fidelity Program, fully funded after a Board approved premium rebate, covers the dishonest acts of all employees and elected officials. Member cost is approximately $0.012 per $100 of payroll, or about the same as it was in 1995; during that time the coverage limit per claim has doubled to $2 million.

Other Programs
All other programs are maintained on a pass-through basis with participating members reimbursing their premium costs after the Authority has purchased various coverages at their direction, and on their behalf.

Variation Between Budget and Actual Amounts
As discussed above, YCPARMIA's performance against budget is significantly impacted by unbudgeted, but inherent or reoccurring expenses in the form of actuarial adjustments to the program claim reserves liabilities, and any premium rebate/credits that might be declared by the Board. These numbers can have a substantial effect on the bottom line of the Authority. A comparison of actual budget results for the fiscal year ended June 30, 2019 is as follows:

VARIATION BETWEEN BUDGET V. ACTUAL REVENUES AND EXPENSES

	As of Fiscal Year Ended June 30, 2019		
	Budget	**Actual**	**Variance**
Revenues			
Contributions	$ 10,793,340	$ 10,793,365	$ 25
Investment	200,000	794,251	594,251
Other Revenue	-	-	-
Retrospective Premium Rebate	-	-	-
Total Revenues	**$ 10,993,340**	**$ 11,587,616**	**$ 594,276**
Expenses			
General and Administrative	$ 1,133,720	$ 1,109,752	$ (23,968)
Insurance Premiums and Claims	6,711,224	6,765,728	54,504
Coverage General and Administrative	685,500	822,626	137,126
Other Post Employment Benefits	15,000	27,131	12,131
Actuarial Provision for Claims and Adjustment Expenses	-	1,062,764	1,062,764
Rebates/Credits	-	-	-
Total Expenses	**$ 8,545,444**	**$ 9,788,001**	**$ 1,242,557**
Change in Net Position		**$ 1,799,615**	

CONCLUSION

YCPARMIA finished the year over budget for both Revenues (105.41%) and Expenses (107.19%), but it managed to increase net position by $1,799,615 nonetheless. This is a favorable outcome of operations when compared to decrease in net position of $1,067,051 for FY 2017-2018.

All but Workers' Compensation programs are financially healthy and fully funded to Board approved and industry best practices levels. Although the Workers' Compensation program ran funding deficits this past year, it is somewhat counterbalanced by the other programs. FY 2017-2018 and FY 2018-2019 the Board approved premium rebates for the total amount of $1,329,200 to help offset member premium costs from our net position surplus.

We remain confident that YCPARMIA is well positioned to respond to the risk management needs of our member entities, and that the Authority will continue to provide a stable risk financing mechanism for its members.

Armond Sarkis   October 18, 2019
CEO/Risk Manager

FINANCIAL STATEMENTS

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 5,266,560	$ 3,724,401
Receivables:		
Member agencies	32,713	18,078
Interest	72,701	70,491
Other	267,782	-
Investments maturing within one year (Note 3)	1,460,167	1,375,460
Prepaid insurance	37,238	25,824
Total current assets	7,137,161	5,214,254
Deposits	305,000	305,000
Investments, less portion maturing within one year (Note 3)	12,940,465	12,360,274
Non-depreciable capital assets (Note 4)	93,005	93,005
Depreciable capital assets, net of accumulated depreciation (Note 4)	13,920	10,113
Total non-current assets	13,352,390	12,768,392
Total assets	20,489,551	17,982,646
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – OPEB (Note 5)	46,171	33,709
Deferred outflows of resources – pensions (Note 10)	231,939	489,869
Total deferred outflows of resources	278,110	523,578
LIABILITIES		
Current liabilities:		
Accounts payable	92	15,864
Rebate credits payable	-	657,000
Payroll payable	24,839	36,930
Current portion of unpaid claims and claim adjustment expenses, net of deductible recoveries:		
Liability and workers' compensation (Note 6)	4,300,000	4,300,000
Property and other	28,986	28,986
Total current liabilities	4,353,917	5,038,780
Other postemployment benefits (Note 5)	893,130	844,036
Net pension liability (Note 10)	1,101,214	1,129,568
Unpaid claims and claim adjustment expenses net of deductible recoveries and current portion:		
Liability and workers' compensation (Note 6)	9,903,308	8,840,544
Total non-current liabilities	11,897,652	10,814,148
Total liabilities	16,251,569	15,852,928
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – OPEB (Note 5)	30,973	40,474
Deferred inflows of resources – pensions (Note 10)	119,347	46,665
Total deferred inflows of resources	150,320	87,139
NET POSITION		
Net position (Note 7):		
Net invested in capital assets	106,925	103,118
Unrestricted	4,258,847	2,463,039
Total net position	$ 4,365,772	$ 2,566,157

See accompanying notes to financial statements.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Member contributions	$ 10,793,365	$ 9,969,437
Retrospective premium adjustment	-	7,937
Total operating revenues	10,793,365	9,977,374
Operating expenses:		
Provision for claims and claim adjustment:		
Liability and workers' compensation (Note 6)	5,347,692	5,048,648
Property and other	73,838	72,848
Other postemployment benefits (Note 5)	27,131	21,861
Reinsurance premiums (Note 8)	3,229,588	3,510,831
Rebate credits	-	657,000
General and administrative	1,109,752	1,764,434
Total operating expenses	9,788,001	11,075,622
Operating income (loss)	1,005,364	(1,098,248)
Non-operating revenues (expenses):		
Other income	-	1,017
Investment income	406,726	272,368
Net change in fair value of investments	387,525	(242,188)
Total non-operating revenues	794,251	31,197
Change in net position	1,799,615	(1,067,051)
Net position, beginning of year	2,566,157	3,633,208
Net position, end of year	$ 4,365,772	$ 2,566,157

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from members and others	$ 10,531,688	$ 9,995,002
Cash paid for claims and settlements	(4,358,766)	(4,971,394)
Cash paid for reinsurance	(3,241,002)	(3,510,831)
Cash paid to suppliers and employees	(856,702)	(1,785,558)
Cash paid for rebate credits	(657,000)	(672,200)
Net cash provided by (used in) operating activities	1,418,218	(944,981)
Cash used in capital and related financing activities:		
Purchase of furniture and equipment	(3,202)	(9,211)
Cash flows from investing activities:		
Investments purchased	(3,531,935)	(5,072,562)
Investments sold and matured	3,254,562	4,822,780
Interest received	404,516	259,464
Net cash provided by investing activities	127,143	9,682
Net increase (decrease) in cash and cash equivalents	1,542,159	(944,510)
Cash and cash equivalents, beginning of year	3,724,401	4,668,911
Cash and cash equivalents, end of year	$ 5,266,560	$ 3,724,401
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 1,005,364	$ (1,098,248)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	(605)	18,845
(Increase) decrease in:		
Receivables - member agencies	(14,635)	17,628
Receivables – other	(267,782)	-
Prepaid insurance	(11,414)	78,518
Deferred outflows of resources	245,468	(216,711)
Increase (decrease) in:		
Accounts payable and payroll payable	(27,863)	6,042
Rebate credit payable	(657,000)	(15,200)
Other postemployment benefits	49,094	(9,724)
Net pension liability	(28,354)	100,953
Unpaid claims and claim adjustment expenses	1,062,764	150,102
Deferred inflows of resources	63,181	22,814
Total adjustments	412,854	153,267
Net cash provided by (used in) operating activities	$ 1,418,218	$ (944,981)
Supplemental disclosures of cash flow information:		
Change in fair value of investments	$ 387,525	$ (242,188)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA and / or the "Authority") is a Joint Powers Authority (JPA) that provides pooled risk management services to thirty-two public entities located in Yolo County. The members, including the county, four cities, a school district, and various other special districts participate in pooled programs covering liability, workers' compensation, property, and fidelity; other more unique exposures are addressed through the group purchase of commercial insurance. A variety of risk management, claims administration, and loss prevention services are also offered to the members. In addition to protection afforded by participation in YCPARMIA's primary pool, the Authority's membership in the California Joint Powers Risk Management Authority (CJPRMA) for liability, and CSAC Excess Insurance Authority (CSAC-EIA) for property and workers' compensation provides higher excess limits above the Authority's self-insurance retention (SIR).

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting in accordance with governmental accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses are recognized when the obligation is incurred.

Cash Equivalents: Cash equivalents are investments readily convertible into known amounts of cash with original maturities at date of purchase of less than three months.

Fair Value of Pooled Investments: The Authority records its investment in the Local Agency Investment Fund (LAIF) at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and change in net position. The fair value of investments, including the Local Agency Investment Fund as an external investment pool, at June 30, 2019 and 2018 approximated their carrying value.

Investments: Investments are reported in the accompanying statement of net position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Net change in fair value of investments include change in fair value and any gains or losses realized upon the liquidation, maturity or sale of investments.

Deposits: Deposits represent amounts advanced to companies for payment of claims. They are classified as long-term assets.

Premises and Equipment: Premises and equipment are capitalized for amounts over $1,000 and are carried at cost less accumulated depreciation. Depreciation is computed over respective estimated lives ranging from 3 to 30 years using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized in income for the period. Maintenance and repairs are charged to expense as incurred.

Revenue Recognition: Member contributions are recognized as revenue when earned based upon the coverage period of the related insurance. Operating revenues and expenses include all activities necessary to achieve the objectives of the Authority. Non-operating revenues include investment activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows or Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The Authority has recognized a deferred outflow of resources related to other postemployment benefits and pensions which is reported in the statement of net position.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The Authority has recognized a deferred inflow of resources related to other postemployment benefits and pensions which is reported in the statement of net position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous 2.5% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund C and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Pool. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Provision for Unpaid Claims and Claim Adjustment Expenses: The Authority's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. The Authority increases the liability for allocated claim adjustment expenses. Because actual claim costs depend on such complex factors as inflation, changes in doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for coverages such as general liability and workers' compensation. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of unpaid claims is based on current year payments and known claim information at the end of the period.

Member Participation: Under the Authority's Joint Powers Agreement, members must make a three-year commitment to participate in the Authority. Mid-term cancellation or withdrawal is not permitted and notice must be given to the Authority six months in advance. Withdrawing members are not entitled to a refund, nor does it terminate their responsibility to contribute to their share of annual charges.

Income Taxes: The Authority is an organization comprised of public agencies, and is exempt from Federal income and California franchise taxes. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

(Continued)

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Cash and cash equivalents:		
Cash on hand	$ 100	$ 100
Cash in bank	1,032,856	727,966
Money market	5,817	17,565
Local Agency Investment Fund	4,227,787	2,978,770
Total cash and cash equivalents	$ 5,266,560	$ 3,724,401

Custodial Credit Risk – Cash in Bank: The Authority limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Interest-bearing cash balances held in banks are insured up to $250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2019, the carrying amount of the Authority's accounts was $1,032,856, and the bank balances were $1,224,785, of which $974,785 was uninsured but collateralized. At June 30, 2018, the carrying amount of the Authority's accounts was $727,966, and the bank balances were $956,514, of which $706,514 was uninsured but collateralized.

Money Market: The Authority has a portion of its cash and equivalents in a money market account at a third party Custodian. The money market account is not covered by FDIC insurance, but is fully collateralized.

Local Agency Investment Fund: The Authority is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State of California and invests the cash. The Authority's investment in the pool is reported in the accompanying financial statements based upon YCPARMIA’s pro-rata share of the amortized cost as provided by LAIF in proportion to the amortized cost of entire LAIF portfolio. The funds held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds may be withdrawn at any time up to the total amount on deposit with LAIF. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814.

(Continued)

NOTE 3 – INVESTMENTS

Investments: Investments at June 30, 2019 and 2018 are reported at fair value and consisted of the following:

	Rating	2019	2018
Investments:			
US Government sponsored entities and agencies	AA+	$ 5,003,544	$ 3,387,223
US Government sponsored entities and agencies	AAA	-	893,594
Mortgages	AAA	439,881	1,075,511
Mortgages	AA+	81,206	-
Mortgages	NR	1,416,584	-
Foreign corporate	AA-	175,743	-
Foreign corporate	A	181,162	-
Certificates of Deposit	A-1	-	500,000
Supranational	AAA	329,645	915,769
Supranational	NR	321,843	-
US Corporate Notes	AAA	169,040	164,534
US Corporate Notes	AA+	296,745	161,963
US Corporate Notes	AA	250,976	327,733
US Corporate Notes	AA-	325,994	620,732
US Corporate Notes	A+	472,905	623,939
US Corporate Notes	A	1,125,690	1,336,922
US Corporate Notes	A-	613,644	293,809
US Treasury	TSY	3,196,030	3,434,005
Total investments		$ 14,400,632	$ 13,735,734

Investment security ratings reported as of June 30, 2019 and 2018 are defined by Standard & Poors. Securities of the United States Treasury (TSY) are not rated for credit worthiness as they are fully backed by the United States Government.

(Continued)

NOTE 3 –INVESTMENTS (Continued)

The following presents information about the Authority's assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and 2018, and indicates the fair value hierarchy of the valuation techniques utilized by the Authority to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

The Authority is required or permitted to record the following assets at fair value on a recurring basis:

	2019			
Description	Fair Value	Level 1	Level 2	Level 3
US Government sponsored entities and agencies	$ 5,003,544	$ -	$ 5,003,544	$ -
Mortgages	1,937,671	-	1,937,671	-
Foreign corporate	356,905	-	356,905	-
Supranational	651,488	-	651,488	-
US Corporate notes	3,254,994	-	3,254,994	-
Treasury	3,196,030	-	3,196,030	-
	$ 14,400,632	$ -	$ 14,400,632	$ -

	2018			
Description	Fair Value	Level 1	Level 2	Level 3
US Government sponsored entities and agencies	$ 4,280,817	$ -	$ 4,280,817	$ -
Mortgages	1,075,511	-	1,075,511	-
Certificates of deposit	500,000	-	500,000	-
Supranational	915,769	-	915,769	-
US Corporate notes	3,529,632	-	3,529,632	-
Treasury	3,434,005	-	3,434,005	-
	$ 13,735,734	$	$ 13,735,734	$ -

Valuation approach – The Authority’s investments are generally classified in Level 2 of the fair value hierarchy because they are valued using broker or dealer quotations or alternative pricing sources with reasonable level of price transparency. The types of investments valued based on observable inputs includes US Government sponsored entities and agencies, mortgages, foreign corporate, supranational, US corporate notes and treasury are classified within level 2 of the fair value hierarchy.

(Continued)

NOTE 3 –INVESTMENTS (Continued)

The Authority had no non-recurring assets and no liabilities at June 30, 2019 and June 30, 2018 which were required to be disclosed using the fair value hierarchy.

Investment Interest Rate Risk: The Authority does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2019 and 2018, the Authority had no investments with maturity dates beyond five years as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2019 and 2018 consist of the following:

2019

		Maturity	
	Fair Value	Less than One Year	Greater than One Year
Investments maturities:			
US Government sponsored entities and agencies	$ 5,003,544	$ 686,943	$ 4,316,601
Mortgages	1,937,671	-	1,937,671
Foreign corporate	356,905	-	356,905
Supranational	651,488	229,116	422,372
US Corporate notes	3,254,994	544,108	2,710,886
Treasury	3,196,030	-	3,196,030
	$ 14,400,632	$ 1,460,167	$ 12,940,465

2018

		Maturity	
	Fair Value	Less than One Year	Greater than One Year
Investments maturities:			
US Government sponsored entities and agencies	$ 4,280,817	$ -	$ 4,280,817
Mortgages	1,075,511	2,914	1,072,597
Certificates of Deposit	500,000	500,000	500,000
Supranational	915,769	279,182	636,587
US Corporate notes	3,529,632	593,364	2,936,268
Treasury	3,434,005	-	3,434,005
	$ 13,735,734	$ 1,375,460	$ 12,360,274

Investment Credit Risk: The Authority does not have a formal investment policy that limits its investment choices other than the limitations of state law.

(Continued)

NOTE 3 – INVESTMENTS (Continued)

Concentration of Investment Credit Risk: The Authority does not place limits on the amount it may invest in any one issuer. At June 30, 2019 and 2018, the Authority had the following investments that represent more than five percent of the Authority's net investments:

	2019	2018
United States Treasury Notes	22%	25%
Federal National Mortgage Association	15%	16%
Federal Home Loan Bank	15%	7%
Federal Home Loan Mortgage Co.	13%	5%

NOTE 4 – PREMISES AND EQUIPMENT

Premises and equipment at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Non-Depreciable:		
Land	$ 93,005	$ 93,005
Depreciable:		
Furniture and equipment	88,230	209,015
Building	356,631	356,631
	537,866	658,651
Accumulated depreciation:		
Furniture and equipment	(74,310)	(198,902)
Building	(356,631)	(356,631)
	(430,941)	(555,533)
	$ 106,925	$ 103,118

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Authority provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the PERS membership plan, which covers both active and qualified retired members, along with a dental plan.

The Authority's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The Authority's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2019, the Authority has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the Authority's Total OPEB Liability. There is no separate report issued for the defined benefit healthcare plan.

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Medical benefits provided: As a Public Employees' Medical and Hospital Care Act (PEMHCA) employer, YCPARMIA is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. YCPARMIA PEMHCA resolution on file with CalPERS defines YCPARMIA's contribution toward the cost of medical plan premiums for employees and retirees to be 100% of the applicable premium, but not more than $415.25 per month, nor less than the required PEMHCA minimum employer contribution (MEC).

Dental benefits provided: YCPARMIA also pays 100% of the retiree dental premium which is $88 per month in 2019 and 2018.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2019 and 2018:

	Number of Participants
Inactive plan members currently receiving benefits	6
Active plan members	7
	13

Contributions*:* The contribution requirements of plan members and the Authority are established and may be amended by the Authority's Governing Board and by contractual agreements with employees.

YCPARMIA contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). Contributions to the Plan from the Authority were $32,482 and $33,709 for the years ended June 30, 2019 and 2018, respectively. Employees are not required to contribute to the OPEB plan.

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation, measurement date of June 30, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets ($0; plan is not yet funded)
Discount Rate	3.13% as of June 30, 2017 2.98% as of June 30, 2018
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; a component of assumed salary increases
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008.

Mortality Improvement	MacLeod Watts Scale 2017 applied generationally from 2008.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2018	Actual	2022	6.50%
2019	8.00%	2023	6.00%
2020	7.50%	2024	5.50%
2021	7.00%	2025 & later	5.00%

PEMHCA minimum retired contribution (MEC) is assumed to increase annually by 4.5%. Dental premiums are assumed to increase by 3.0% per year.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Increase in fixed dollar benefit

We assumed the current $415.25 monthly benefit cap will remain fixed in all future years (it has not increased since 1996).

Participation Rate

Active employees: All (100%) employees who retire from YCPARMIA are assumed to elect medical coverage in retirement.

Retired participants: Existing medical plan elections are assumed to be continued until retiree's death

Spouse Coverage

Active employees and retired participants: Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Excise tax on high-cost plans

We assumed the excise tax for high cost plan coverage for retirees will go into effect in the year 2022. Annual threshold amounts under the Affordable Care Act (ACA) are shown below.

2018 Thresholds	Ages 55-64	All Other Ages
Single	11,850	10,200
Other than Single	30,950	27,500

Note: Thresholds for disability retirements are assumed to be set at a level high enough to prevent taxation on disabled retiree benefits.

Actual limits may be higher, depending on cost increases prior to the effective date. The thresholds are scheduled to increase by CPI plus 1% in 2019 and by CPI annually thereafter. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold each year. We assumed that 100% of any excise tax liability for high cost retiree coverage will be borne by YCPARMIA.

Development of Age-related Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Addendum 1 to this report.

Representative claims costs derived from the dataset provided by CalPERS for retirees is shown on the next page.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Expected Monthly Claims by Medical Plan for Selected Ages					
	Male				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Sacramento	$ 781	$ 921	$ 1,069	$ 1,226	$ 1,393
HMO: Sacramento	876	1,033	1,200	1,375	1,563
Kaiser: Other Southern California	662	781	907	1,040	1,182
Kaiser: Sacramento	699	824	957	1,097	1,247
PERS Choice: Sacramento	652	769	893	1,024	1,164
PERSCare: Other Southern California	524	618	718	823	936
PERSCare: Sacramento	665	784	910	1,043	1,186
	Female				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Sacramento	968	1,063	1,143	1,236	1,362
HMO: Sacramento	1,085	1,192	1,283	1,386	1,528
Kaiser: Other Southern California	821	901	970	1,048	1,155
Kaiser: Sacramento	866	951	1,023	1,106	1,219
PERS Choice: Sacramento	808	887	955	1,032	1,138
PERSCare: Other Southern California	650	713	768	830	915
PERSCare: Sacramento	824	905	973	1,052	1,159

All current and future Medicare-eligible retirees are assumed to be covered by plans that are rated based solely on the experience of Medicare retirees. Therefore, no implicit subsidy is calculated for Medicare-eligible retirees.

The actuarial assumptions above were taken directly from the Authority's June 30, 2019 actuarial valuation report.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate: Given the YCPARMIA's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 2.98% and 3.13% at June 30, 2018 and 2017 measurement date, respectively. The discount rate used in the actuarial valuation is based on the S&P Municipal Bond 20 Year High Grade Index.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2017	$ 853,760
Changes for the year:	
Service cost	41,413
Interest	23,658
Differences between expected and actual experience	-
Changes in assumptions	(49,975)
Changes in benefits terms	-
Employer contributions	-
Administrative expense	-
Benefit payments	(24,820)
Net change	(9,724)
Balance, June 30, 2018	844,036
Changes for the year:	
Service cost	38,796
Interest	27,105
Differences between expected and actual experience	-
Changes in assumptions	16,902
Changes in benefits terms	-
Employer contributions	-
Administrative expense	-
Benefit payments	(33,709)
Net change	49,094
Balance June 30, 2019	$ 893,130

There were no changes in benefits since the prior measurement date or between the current measurement date and the year ended June 30, 2019, that had a significant effect on the Authority's total OPEB liability.

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the Authority, as well as what the Authority's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	2019		
	Discount Rate 1% Lower (1.98%)	Valuation Discount Rate (2.98%)	Discount Rate 1% Higher (3.98%)
Total OPEB Liability	$ 1,018,277	$ 893,130	$ 790,898

	2018		
	Discount Rate 1% Lower (2.13%)	Valuation Discount Rate (3.13%)	Discount Rate 1% Higher (4.13%)
Total OPEB Liability	$ 961,871	$ 844,036	$ 747,940

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

Healthcare Cost Trend Rate was assumed to start at 7.5% (effective January 1, 2019) and grade down to 5% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

	2019		
	Current Trend -1%	Current Trend	Current Trend +1%
Total OPEB Liability	$ 826,145	$ 893,130	$ 1,021,741

	2018		
	Current Trend -1%	Current Trend	Current Trend +1%
Total OPEB Liability	$ 780,812	$ 844,036	$ 965,348

(Continued)

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2019 and 2018, the Authority recognized OPEB expense of $27,131 and $21,861, respectively. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	13,689	30,973
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	32,482	-
Total	$ 46,171	$ 30,973

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	40,474
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	33,709	-
Total	$ 33,709	$ 40,474

$32,482 and $33,709 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019 and 2018, respectively.

(Continued)

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,		
2020	$	(6,288)
2021	$	(6,288)
2022	$	(6,288)
2023	$	743
2024	$	837

See required supplementary information following the notes to the financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities

NOTE 6 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The schedule below presents the changes in claims liabilities for the past two years of the Authority:

Liability and Workers' Compensation Programs

	2019	2018
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 13,140,544	$ 12,990,442
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	4,871,908	4,883,714
Change in provision for covered events of prior fiscal years	475,784	164,934
Total incurred claims and claim adjustment expenses	5,347,692	5,048,648
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	576,657	468,143
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	3,708,271	4,430,403
Total payments	4,284,928	4,898,546
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 14,203,308	$ 13,140,544

NOTE 6 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES (Continued)

The components of the unpaid claims and claim adjustment expenses for the Liability and Workers' Compensation Programs as of June 30, 2019 and 2018 were as follows:

	2019	2018
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 15,544,177	$ 14,283,202
Anticipated deductible recoveries	(1,340,869)	(1,142,658)
	14,203,308	13,140,544
Current portion	(4,300,000)	(4,300,000)
	$ 9,903,308	$ 8,840,544

These liabilities are reported at their present value using an expected future investment yield assumption 2.5 percent for June 30, 2019 and 2018. The undiscounted liabilities are $15,455,495 and $14,451,992 at June 30, 2019 and 2018, respectively.

NOTE 7 – NET POSITION

By Board policy, the Authority creates two funds in its equity designed to add to the economic stability and flexibility of the Authority. The "confidence margin" is designed to increase program reserves above expected, while the "catastrophic fund" is intended to protect the Authority against unanticipated and/or unbudgeted expenses caused by large losses or sudden shifts in claims frequency or severity.

Confidence Margin: The confidence margins for the Workers' Compensation and Liability Programs are set at an actuarially determined level in excess of 80% of the ultimate losses. The Fidelity and Property/Boiler and Machinery Programs designated amounts are determined by Board policy.

	June 30, 2019	June 30, 2018	Funding Level
Liability Program	$ 787,806	$ 536,754	Fully funded
Workers Compensation Program	$ 981,428	$ 911,219	Fully funded
Fidelity Program	$ 25,000	$ 25,000	Fully funded
Property/Boiler and Machinery Program	$ 95,000	$ 95,000	Fully funded

Catastrophic Fund: The catastrophic funds for all programs are set by Board policy.

	June 30, 2019	June 30, 2018	Funding Level
Liability Program	$ 1,350,000	$ 1,350,000	Fully funded
Workers Compensation Program	$ 1,500,000	$ 1,500,000	Deficit
Fidelity Program	$ 25,000	$ 25,000	Fully funded
Property/Boiler and Machinery Program	$ 65,000	$ 65,000	Fully funded

(Continued)

NOTE 8 – REINSURANCE PREMIUMS

The Authority enters into reinsurance agreements, whereby it cedes various amounts of risk to other insurance companies. The Authority had the following self-insured retention levels for each of its programs as follows:

	Liability	Workers' Compensation	Property
Prior to July 1, 1986	$ 350,000	$ 200,000	$ 25,000
July 1, 1986 to June 30, 1989	$ 350,000	$ 250,000	$ 25,000
July 1, 1989 to June 30, 1990	$ 500,000	$ 250,000	$ 25,000
July 1, 1990 to December 31, 2003	$ 500,000	$ 300,000	$ 25,000
January 1, 2004 to June 30, 2019	$ 500,000	$ 500,000	$ 25,000

Excess coverage for workers' compensation is provided up to statutory limits. Excess liability coverage is provided up to $40 million per occurrence. Excess property coverage is provided up to $600 million per occurrence. All coverages are subject to the self-insured retention levels and a deductible for each member.

Reinsurance premiums incurred for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Property and other	$ 467,131	$ 731,039
Liability	1,633,495	1,662,543
Workers' compensation	1,128,962	1,117,249
	$ 3,229,588	$ 3,510,831

NOTE 9 – DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salaries until future years. Participants can elect to contribute 25% of their annual compensation, not to exceed $19,000. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. The plan assets are held in trust for the exclusive benefit of plan participants and their beneficiaries and, therefore, are excluded from the accompanying financial statements. There were no contributions made by the Authority for the years ended June 30, 2019 and 2018.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND

General Information about the Public Employer's Retirement Fund

Plan description: The Authority contributes to the Miscellaneous 2% at 62 Risk Pool and the Miscellaneous 2.5% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) California Employer's Retirement Fund C (PERF C), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov.

Benefits provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from plan members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the Pool, are credited with a market value adjustment in determining contribution rates.

Required contribution rates for active plan members and employers as a percentage of payroll for the years ended June 30, 2019 and 2018 were as follows:

Members – Under Miscellaneous 2.5% at 55, the member contribution rate was 8.00 and 7.94 percent of applicable member earnings for fiscal year 2018-19 and 2017-18, respectively. Under Miscellaneous 2% at 62, the member contribution rate was 6.25 percent of applicable member earnings for fiscal year 2018-19 and 2017-18.

Employers – At June 30, 2019 and 2018, the effective employer contribution rate was 7.94 and 8.67 percent, respectively, of applicable member earnings.

For the years ended June 30, 2019, 2018 and 2017, the Authority's annual pension cost of $43,052, $52,990 and $98,159, respectively and the Authority contributed to CalPERS for the fiscal years ending June 30, 2019, 2018 and 2017 were $43,052, $52,990, and $98,159, respectively.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

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

At June 30, 2019, the JPA reported a liability of $1,101,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The JPA's proportion of the net pension liability was based on a projection of the JPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating school JPAs, actuarially determined.

At June 30, 2018, the JPA reported a liability of $1,129,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The JPA's proportion of the net pension liability was based on a projection of the JPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating school JPAs, actuarially determined.

At June 30, 2019, the JPA's proportion was 0.029 percent, which was no change from its proportion measured as of June 30, 2018. At June 30, 2018, the JPA's proportion was 0.029 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 and 2018, the JPA recognized pension expense of $302,258 and $447,865, respectively. At June 30, 2019, the JPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 42,253	$ 14,378
Changes of assumptions	125,542	30,768
Net differences between projected and actual earnings on investments	5,444	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	15,648	74,201
Contributions made subsequent to measurement date	43,052	-
Total	$ 231,939	$ 119,347

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

At June 30, 2018, the JPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,349	$ 19,324
Changes of assumptions	167,351	12,761
Net differences between projected and actual earnings on investments	37,848	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	230,331	14,580
Contributions made subsequent to measurement date	52,990	-
Total	$ 489,869	$ 46,665

$43,052 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30,	
2020	$ 88,419
2021	$ 43,178
2022	$ (52,153)
2023	$ (9,904)

There were no changes between the measurement date and the year ended June 30, 2019 which had a significant effect on the Authority's total OPEB liability.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

Actuarial methods and assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997 to 2015
Actuarial Cost Method	Varies by entry age and service
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	3.00%
Post-retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power

The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term % Assumed Asset Allocation	Expected Real Rate of Return Years 1-10**	Expected Real Rate of Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

** An expected inflation of 2.00% used for this period.
*** An expected inflation of 2.92% used for this period.

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

Discount rate: At June 30, 2019 and 2018, the discount rate used to measure the total pension liability was 7.15%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the JPA's proportionate share of the net pension liability to changes in the discount rate. For the year ended June 30, 2019 and 2018, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 7.15, as well as what the JPA's proportionate share of the 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:

	For the year ended June 30, 2019		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
JPA's proportionate share of the net pension liability	$ 1,658,269	$ 1,101,214	$ 641,374

	For the year ended June 30, 2018		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
JPA's proportionate share of the net pension liability	$ 1,681,206	$ 1,129,568	$ 672,691

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 – JOINT POWERS AGREEMENT

The Authority participates in two joint powers agreements with California Joint Powers Risk Management Authority (CJPRMA) and CSAC Excess Insurance Authority (CSAC EIA). The relationship between the Authority and the JPAs is such that the JPAs are not component units of the Authority for financial reporting purposes.

CJPRMA arranges for and provides excess liability coverage up to $40 million less the Authority's self-insured retention. CSAC EIA arranges for and provides excess property coverage up to $600 million less the Authority's self-insured retention. CSAC EIA also arranges for and provides excess workers' compensation coverage for losses in excess of $500,000 per occurrence and up to statutory limits. The joint powers agreements are governed by boards of directors consisting of representatives of the member agencies. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member agency pays a premium commensurate with the amount of coverage requested. As a member of the JPAs, the Authority is entitled to retrospective premium adjustments for those claim years where costs were less than expected. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

Condensed financial information for the fiscal year ended June 30, 2018 (the most current information available) is as follows:

	CJPRMA	CSAC EIA
Total assets	$ 64,882,461	$ 834,314,751
Deferred outflows of resources	324,600	1,718,920
Total liabilities	43,092,512	712,318,785
Deferred inflows of resources	61,984	1,144,292
Net position	$ 22,052,565	$ 122,570,594
Revenues	$ 15,270,896	$ 895,529,924
Expenses	29,282,832	907,285,224
Change in net position	$ (14,011,936)	$ (11,755,300)

REQUIRED SUPPLEMENTAL INFORMATION

Last 10 Fiscal Years

	2018	2019
Total OPEB Liability:		
Service cost	$ 41,413	$ 38,796
Interest	23,658	27,105
Change in assumptions	(49,975)	16,902
Benefit payments	(24,820)	(33,709)
Net change in total OPEB liability	(9,724)	49,094
Total OPEB liability - beginning of year	853,760	844,036
Total OPEB liability - end of year	$ 844,036	$ 893,130
Covered payroll	$ 613,000	$ 624,000
Total OPEB liability as a percentage of covered payroll	137.69%	143.13%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior. All years prior to 2018 are not available.

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Authority's proportion of the net pension liability	0.010%	0.029%	0.030%	0.029%	0.029%
Authority's proportionate share of the net pension liability	$ 631,635	$ 858,293	$ 1,028,615	$ 1,129,568	$ 1,101,214
Authority's covered payroll	$ 584,000	$ 570,000	$ 574,000	$ 583,000	$ 611,000
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	115.0%	150.58%	179.20%%	193.75%	180.23%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	79.9%	75.9%	75.4%	77.7%

The amounts presented for each fiscal year were determined as of year-end that occurred one year prior.

All years prior to 2015 are not available.

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Contractually required contribution	$ 92,026	$ 51,023	$ 53,461	$ 52,990	$ 43,052
Contributions in relation to the contractually required contribution	(92,026)	(51,023)	(53,461)	(52,990)	(43,052)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 570,000	$ 574,000	$ 583,000	$ 611,000	$ 542,000
Contributions as a percentage of covered payroll	16.16%	8.88%	9.17%	8.67%	7.94%

All years prior to 2015 are not available.

NOTE 1 – PURPOSE OF SCHEDULES

A - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The schedule is presented to illustrate the elements of the Authority's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The Authority has not accumulated assets in qualified trust for the purpose of paying the benefits related to the Authority's Total OPEB liability.

B – Schedule of the Authority's Proportionate Share of the Net Pension Liability

The Schedule of the Authority's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the Authority's Net Pension Liability. There is a requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years for which information is available.

C – Schedule of the Authority's Contributions

The Schedule of Authority's Contributions is presented to illustrate the Authority's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years for which information is available.

NOTE 2 – CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

A – Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

B – Changes of Assumptions: The discount rate for Public Employer's Retirement Fund C was 7.50, 7.65, 7.65, 7.15 and 7.15 percent in the June 2013, 2014, 2015, 2016 and 2017 actuarial reports, respectively. The discount rate for OPEB was 2.68, 3.13, and 2.98 percent as of June 30, 2016, 2017 and 2018 actuarial valuation report, respectively.

The discount rate used to calculate the District's OPEB liability was 2.98 and 3.13 percent in the June 30, 2017 and 2018 actuarial reports, respectively.

The schedule below presents the changes in claims liabilities for the past two years of the Authority's Liability Program:

	2019	2018
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 3,628,358	$ 3,264,981
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	1,719,167	1,770,079
Change in provision for covered events of prior fiscal years	(319,320)	604,748
Total incurred claims and claim adjustment expenses	1,399,847	2,374,827
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	69,632	149,492
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	969,544	1,861,958
Total payments	1,039,176	2,011,450
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 3,989,029	$ 3,628,358

The components of the unpaid claims and claim adjustment expenses for the Liability Program as of June 30, 2019 and 2018 were as follows:

	2019	2018
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 4,437,758	$ 3,969,914
Anticipated deductible recoveries	(448,729)	(341,556)
	$ 3,989,029	$ 3,628,358

(Continued)

The schedule below presents the changes in claims liabilities for the past two years of the Workers' Compensation Program:

	2019	2018
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 9,512,186	$ 9,725,461
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	3,152,741	3,113,635
Change in provision for covered events of prior fiscal years	795,104	(439,814)
Total incurred claims and claim adjustment expenses	3,947,845	2,673,821
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	507,025	318,651
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	2,738,727	2,568,445
Total payments	3,245,752	2,887,096
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 10,214,279	$ 9,512,186

The components of the unpaid claims and claim adjustment expenses for the Workers' Compensation Program as of June 30, 2019 and 2018 were as follows:

	2019	2018
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 11,106,419	$ 10,313,288
Anticipated deductible recoveries	(892,140)	(801,102)
	$ 10,214,279	$ 9,512,186

The tables that follow illustrate how the Authority's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of each of the previous ten years for the Liability and Workers' Compensation Programs. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded, reported premiums (net of reinsurance) and reported investment revenue.

2. Total dividends/rebate credited, reported in year declared.

3. Total of each fiscal year's premium rebate received from reinsurance carriers (Liability Program only).

4. Each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.

5. Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called policy year).

6. The cumulative net amounts paid as of the end of successive years for each policy year.

7. The latest reestimated amount of losses assumed by reinsurers for each policy year.

8. Policy year's incurred net claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

9. Compares the latest reestimated net incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM
June 30, 2019

	Fiscal and Policy Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Premiums and investment revenue:										
Earned	$ 2,642,001	$ 2,633,115	$ 2,725,990	$ 2,630,164	$ 2,679,266	$ 2,747,237	$ 2,732,636	$ 3,271,336	$ 3,521,624	$ 4,022,142
Ceded	(1,302,949)	(1,139,783)	(1,137,137)	(953,186)	(1,111,821)	(1,118,678)	(1,209,678)	(1,444,881)	(1,662,543)	(1,633,495)
Net earned	$ 1,339,052	$ 1,493,332	$ 1,588,853	$ 1,676,978	$ 1,567,445	$ 1,628,559	$ 1,522,958	$ 1,826,455	$ 1,859,081	$$2,388,647
2. Members dividends/rebates - fiscal year credited	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3. Reinsurance premium rebate – fiscal year paid	$ 494,244	$ 645,508	$ 482,434	$ 456,770	$ 325,557	$ 138,821	$ 196,382	$ 182,683	$ 7,937	$ -
4. Unallocated expenses	$ 445,620	$ 411,077	$ 428,496	$ 369,612	$ 395,640	$ 450,040	$ 434,299	$ 446,681	$ 503,682	$ 374,146
5. Estimated losses and expenses, end of policy year:										
Incurred	$ 1,574,694	$ 1,267,982	$ 1,257,393	$ 1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399	$ 1,605,217	$ 1,747,696	$ 1,697,857
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 1,574,694	$ 1,267,982	$ 1,257,393	$1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399	$ 1,605,217	$ 1,747,696	$ 1,697,857
6. Net paid (cumulative) as of:										
End of policy year	$ 94,935	$ 42,161	$ 27,017	$ 127,708	$ 9,168	$ 57,702	$ 172,801	$ 81,124	$ 149,492	$ 69,632
One year later	$ 312,917	$ 194,147	$ 243,682	$ 258,358	$ 542,900	$ 518,545	$ 352,825	$ 484,545	$ 751,046	
Two years later	$ 485,605	$ 486,177	$ 444,824	$ 1,008,183	$ 910,313	$ 979,174	$ 773,910	$ 757,244		
Three years later	$ 771,814	$ 690,347	$ 1,462,267	$ 1,644,667	$ 1,283,884	$ 1,702,980	$ 853,517			
Four years later	$ 792,668	$ 870,478	$ 1,507,065	$ 1,687,249	$ 1,248,538	$ 1,737,501				
Five years later	$ 792,268	$ 872,000	$ 1,555,904	$ 1,780,762	$ 1,296,502					
Six years later	$ 792,268	$ 872,000	$ 1,673,675	$ 1,864,621						
Seven years later	$ 792,268	$ 872,000	$ 1,673,675							
Eight years later	$ 802,453	$ 872,000								
Nine years later	$ 802,453									
7. Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Re-estimated net incurred losses and expenses:										
End of policy year	$ 1,574,694	$ 1,267,982	$ 1,257,393	$ 1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399	$ 1,605,217	$ 1,747,696	$ 1,697,857
One year later	$ 1,296,221	$ 887,812	$ 1,142,517	$ 1,671,553	$ 1,286,026	$ 1,397,626	$ 1,081,435	$ 1,489,396	$ 1,938,142	
Two years later	$ 983,560	$ 811,651	$ 977,508	$ 2,197,049	$ 1,250,510	$ 1,577,776	$ 1,124,165	$ 1,087,025		
Three years later	$ 969,274	$ 904,802	$ 1,476,875	$ 2,031,697	$ 1,209,780	$ 2,044,264	$ 1,129,807			
Four years later	$ 853,819	$ 938,155	$ 1,588,197	$ 2,012,661	$ 1,320,327	$ 1,911,664				
Five years later	$ 808,621	$ 892,952	$ 1,574,321	$ 1,962,793	$ 1,388,602					
Six years later	$ 798,145	$ 884,222	$ 1,702,638	$ 2,025,674						
Seven years later	$ 796,442	$ 872,000	$ 1,673,675							
Eight years later	$ 793,378	$ 872,000								
Nine years later	$ $802,453									
9. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ (772,241)	$ (395,982)	$ 416,282	$ 738,265	$ 69,566	$ 511,044	$ (233,592)	$ (518,192)	$ 190,446	$ -

Note: Paid amounts and re-estimated incurred claims and expenses are shown as gross amounts without an adjustment for members' deductibles.

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM
June 30, 2019

		Fiscal and Policy Year Ended June 30,									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1.	Premiums and investment revenue:										
	Earned	$ 2,943,355	$ 4,055,748	$ 5,463,309	$ 4,252,078	$ 4,478,732	$ 5,131,975	$ 5,554,666	$ 5,767,568	$ 5,806,268	$$6,103,926
	Ceded	(589,607)	(521,612)	(468,693)	(573,762)	(715,074)	(866,862)	(954,810)	(1,172,652)	(1,117,249)	(1,128,962)
	Net earned	$ 2,353,728	$ 3,534,136	$ 4,994,616	$ 3,678,316	$ 3,763,658	$ 4,265,113	$ 4,599,856	$ 4,594,916	$ 4,689,019	$$4,974,964
2.	Members dividends/rebates - fiscal year credited	$ -	$ -	$ -	$ -	$ -	$ -	$ 300,000	$ 618,500	$ 650,000	$ -
3.	Reinsurance premium rebate – fiscal year paid	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4.	Unallocated expenses	$ 1,044,105	$ 1,128,679	$ 1,213,343	$ 1,220,085	$ 1,317,284	$ 1,234,927	$ 1,240,113	$ 1,330,537	$ 1,282,613	$ 682,266
5.	Estimated losses and expenses, end of policy year:										
	Incurred	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888	$ 2,992,620	$ 2,995,809	$ 3,037,791
	Ceded	-	-	-	-	-	-	-	-	-	-
	Net incurred	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888	$ 2,992,620	$ 2,995,809	$ 3,037,791
6.	Net paid (cumulative) as of:										
	End of policy year	$ 922,303	$ 447,196	$ 575,320	$ 475,789	$ 456,288	$ 241,641	$ 405,417	$ 409,129	$ 318,651	$ 507,025
	One year later	$ 1,595,005	$ 1,070,063	$ 1,361,488	$ 996,663	$ 1,073,517	$ 813,210	$ 1,308,258	$ 1,001,098	$ 767,427	
	Two years later	$ 1,942,161	$ 1,334,339	$ 1,725,006	$ 1,467,633	$ 1,476,398	$ 1,053,256	$ 2,148,510	$ 1,516,176		
	Three years later	$ 2,154,893	$ 1,452,205	$ 2,157,884	$ 1,615,906	$ 1,738,878	$ 1,284,359	$ 2,576,315			
	Four years later	$ 2,230,190	$ 1,500,416	$ 2,296,429	$ 1,791,130	$ 1,901,019	$ 1,496,093				
	Five years later	$ 2,350,163	$ 1,578,336	$ 2,412,979	$ 2,002,867	$ 2,195,113					
	Six years later	$ 2,442,230	$ 1,689,889	$ 2,468,735	$ 2,032,790						
	Seven years later	$ 2,464,909	$ 1,738,724	$ 2,484,516							
	Eight years later	$ 2,552,654	$ 1,750,214								
	Nine years later	$ 2,602,163									
7.	Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8.	Re-estimated net incurred losses and expenses:										
	End of policy year	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888	$ 2,992,620	$ 2,995,809	$ 3,037,791
	One year later	$ 2,938,238	$ 2,223,653	$ 2,863,435	$ 2,620,184	$ 2,471,332	$ 2,251,344	$ 2,627,469	$ 2,369,519	$ 2,073,102	
	Two years later	$ 2,776,575	$ 2,298,948	$ 3,091,394	$ 2,245,699	$ 2,547,681	$ 2,050,784	$ 3,297,571	$ 2,374,666		
	Three years later	$ 2,935,253	$ 2,103,141	$ 2,885,792	$ 2,160,808	$ 2,680,598	$ 1,797,784	$ 3,482,469			
	Four years later	$ 2,719,431	$ 1,871,016	$ 2,718,354	$ 2,113,631	$ 2,717,503	$ 1,908,692				
	Five years later	$ 2,673,776	$ 1,823,146	$ 2,710,221	$ 2,312,342	$ 2,775,550					
	Six years later	$ 2,595,976	$ 1,841,458	$ 2,636,106	$ 2,241,756						
	Seven years later	$ 2,736,006	$ 1,871,442	$ 2,588,081							
	Eight years later	$ 2,822,704	$ 1,852,050								
	Nine years later	$ 3,031,847									
9.	Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ 489,598	$ (404,205)	$ 441,660	$ (22,068)	$ 266,175	$ (718,317)	$ 769,581	$ (617,954)	$ (922,707)	$ -

Note: Paid amounts and re-estimated incurred claims and expenses are shown as gross amounts without an adjustment for members' deductibles.

STATISTICAL SECTION

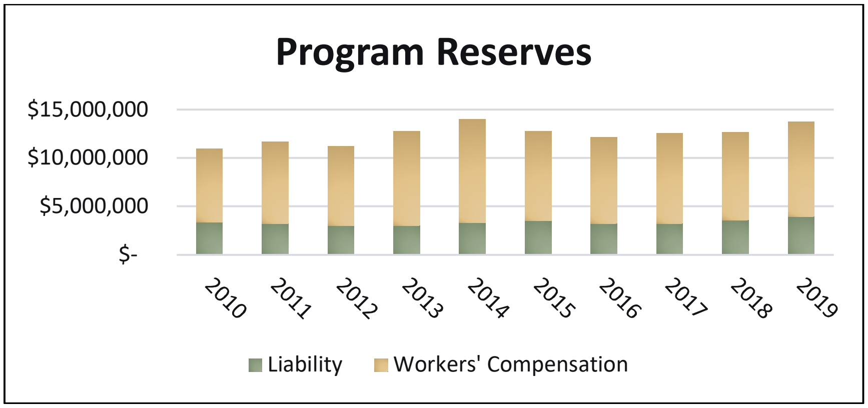
FINANCIAL TRENDS

YCPARMIA's objective is to maintain financial strength while also providing stability to its members' costs. A crucial phase in the pool's long-term financial strategy includes the ability to conclude our members' claim exposures within the established file and program reserves. This has become increasingly difficult as we are continually faced with rising medical costs, legal expenses, and a progressively litigious society. The Authority works actively in attempt to counteract these trends through aggressive claims handling and implementation of risk management training, policies, and procedures.

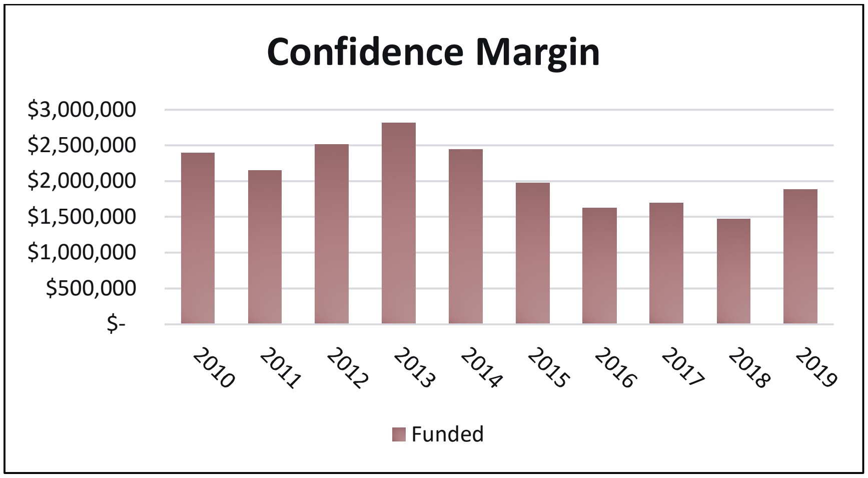
The following subsection illustrates the overall financial position of our JPA highlighting some of the key elements such as program reserves, confidence margin, catastrophic fund, revenues, expenses, and changes in net position.

PROGRAM RESERVES, CONFIDENCE MARGIN, AND CATASTROPHIC FUND

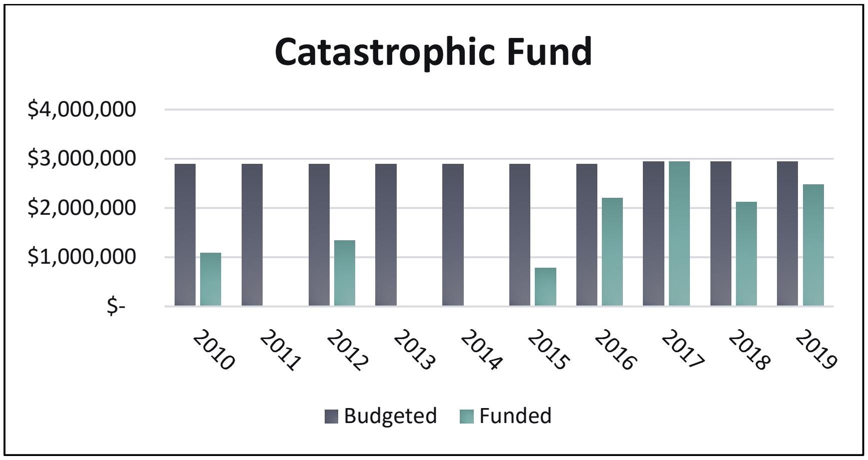
The charts on this page outline the funding and reserve policies and practices adopted by YCPARMIA for the past ten fiscal years. As of June 30, 2019, the program reserves and confidence margin are fully funded. The catastrophic fund is experiencing a deficit in the Workers' Compensation program only, which is funded at 47.6%.



Program reserves are funded at an actuarial recommended level. Reserves for liability and workers' compensation saw an increase from 2018. The overall effect was a $1,062,764 increase in reserves.



The **confidence margin** is combined with reserve funding in order to meet the Board policy that states "the total confidence margin shall be in excess of 80%..." The confidence margin is also determined by actuarial evaluations with the exception of our property and fidelity programs which are determined by Board policy.

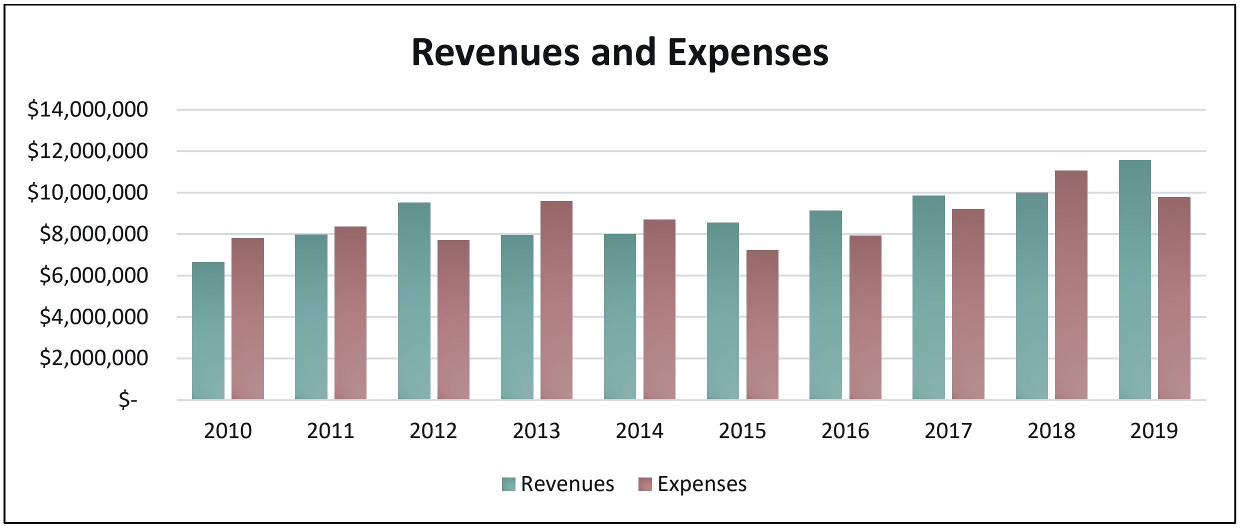


By Board policy, the **catastrophic fund** "shall be maintained as a restricted fund under the retained earnings account. The amounts of that catastrophic fund shall be set by the Board and should be an amount over any liability reserve funding or confidence margin funding..."

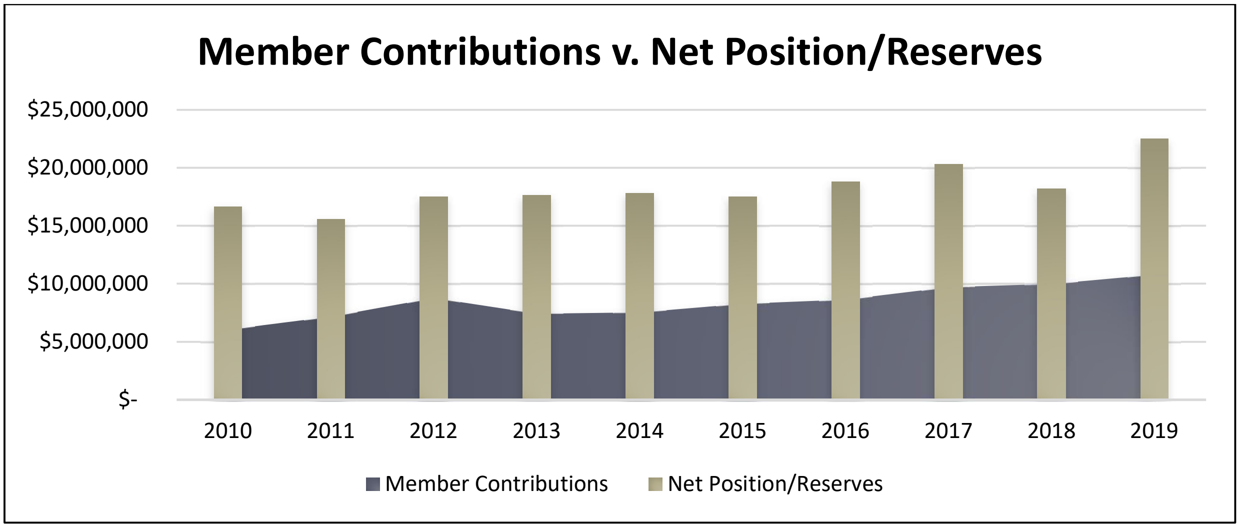
REVENUES, EXPENSES, AND NET POSITION

The data below represents YCPARMIA's revenues, expenses, and changes in net position for the past ten fiscal years as of June 30 year-end.

As mentioned previously, revenues primarily consist of member premiums/cash payments and investment earnings. For expenses, the majority originates from the coverage programs' claim payments and do not include actuarial adjustments for program reserves. Below is a comparison of our revenues and expenses.



For the purpose of the graph below, the net position includes program reserves, catastrophic funds, and confidence margin balances. This is after any member rebates/credits have been applied, if any.



REVENUES, EXPENSES, AND CHANGE IN NET POSITION

As of Fiscal Year Ended June 30

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenue										
Member Contributions	$ 6,038,890	$7,158,613	$8,778,165	$ 7,412,955	$7,512,769	$8,278,813	$8,620,049	$9,695,621	$ 9,969,437	$10,793,365
Retrospective Premium Adjustment	$ 494,244	$ 645,508	$ 482,434	$ 456,770	$ 325,557	$ 138,821	$ 196,382	$ 182,683	$ 7,937	$ -
Total Operating Revenue	$ 6,533,134	$7,804,121	$9,260,599	$ 7,869,725	$7,838,326	$8,417,634	$8,816,431	$9,878,304	$ 9,977,374	$10,793,365
Non-Operating Revenue										
Other Income									$ 1,017	$ -
Investment Income	$ 106,047	$ 158,972	$ 286,458	$ 283,404	$ 192,109	$ 170,321	$ 187,048	$ 180,192	$ 272,368	$ 406,726
Net Change in Fair Value of Investments	$ -	$ (406)	$ (43,139)	$ (208,680)	$ (15,874)	$ (26,593)	$ 116,600	$(206,950)	$ (242,188)	$ 387,525
Total Non-Operating Revenue	$ 106,047	$ 158,566	$ 243,319	$ 74,724	$ 176,235	$ 143,728	$ 303,648	$ (26,758)	$ 31,197	$ 794, 251
Total Revenues	$ 6,639,181	$7,962,687	$9,503,918	$ 7,944,449	$8,014,561	$8,561,362	$9,120,079	$9,851,546	$10,008,571	$11,587,616
Total Operating Expenses	$ 7,790,108	$8,360,260	$7,701,574	$ 9,583,003	$8,709,978	$7,224,216	$7,915,032	$9,218,368	$11,075,622	$ 9,788.001
Components of Net Position										
Net Invested in Capital Assets	$ 205,946	$ 191,193	$ 180,881	$ 168,138	$ 153,482	$ 136,154	$ 124,622	$ 112,752	$ 103,118	$ 106,925
Unrestricted	$ 2,100,938	$1,718,118	$3,530,774	$ 1,904,963	$1,224,202	$1,828,792	$3,045,371	$3,690,419	$ 2,463,039	$ 4,258,847
Total Net Position	**$ 2,306,884**	**$1,909,311**	**$3,711,655**	**$ 2,073,101**	**$1,377,684**	**$1,964,946**	**$3,169,993**	**$3,803,171**	**$ 2,566,157**	**$ 4,365,772**
Change in Net Position	**$(1,150,927)**	**$(397,573)**	**$ 1,802,344**	**$(1,638,554)**	**$(695,417)**	**$ 1,337,146**	**$ 1,205,047**	**$ 633,178**	**$(1,067,051)**	**$ 1,799,615**

REVENUE CAPACITY

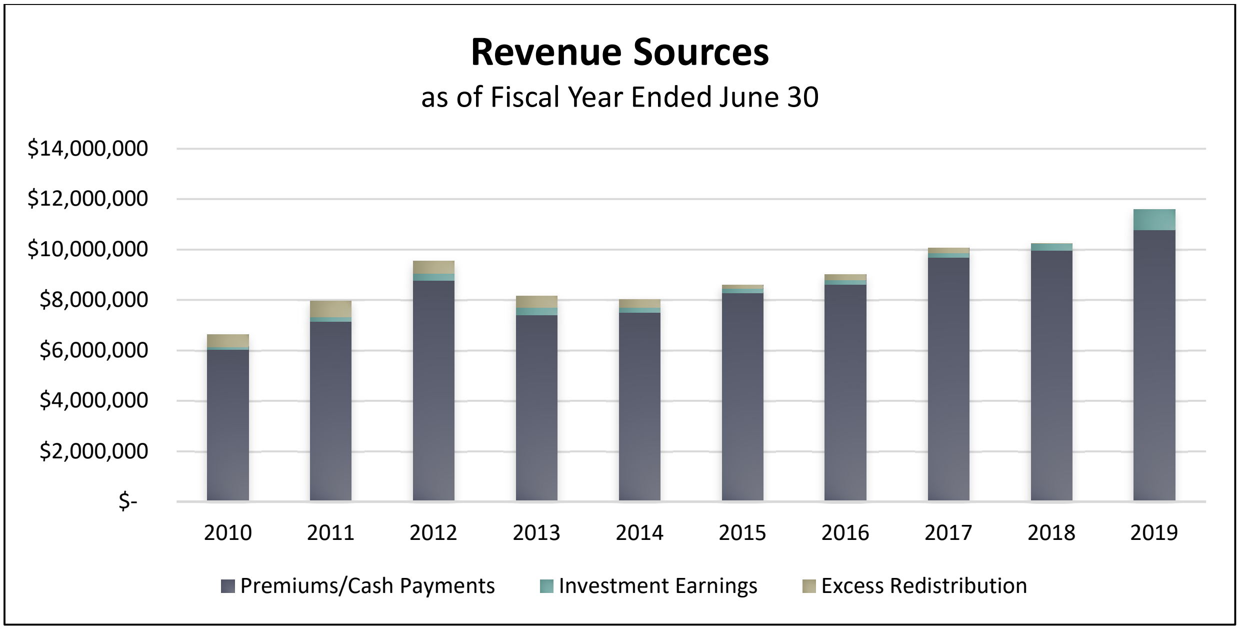
Unlike many other government entities, as a joint powers authority, YCPARMIA's revenue is generated from only three sources; the first two being the majority: members' premium/cash payments, investment earnings, and excess redistribution from our excess carrier.

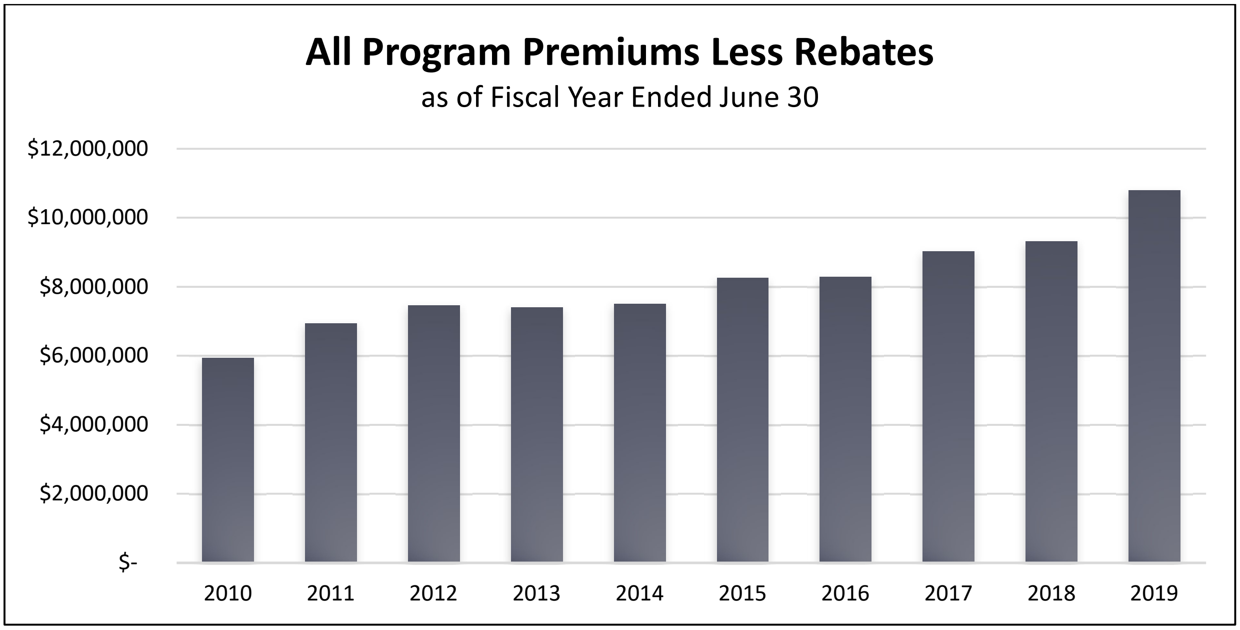
Providing stability in member premiums is a significant component of our risk management services. Analytical reviews of trending combined with conservative actuarial based reserving practices have influenced our overall success. When necessary, our Board approved confidence margins and catastrophic funds may also be used to stabilize premiums, which has been done in the past.

The following subsection details the Authority's cumulative revenue for the past ten fiscal years.

REVENUES

Found below is a chart detailing the three main sources of revenue for the past ten fiscal years.

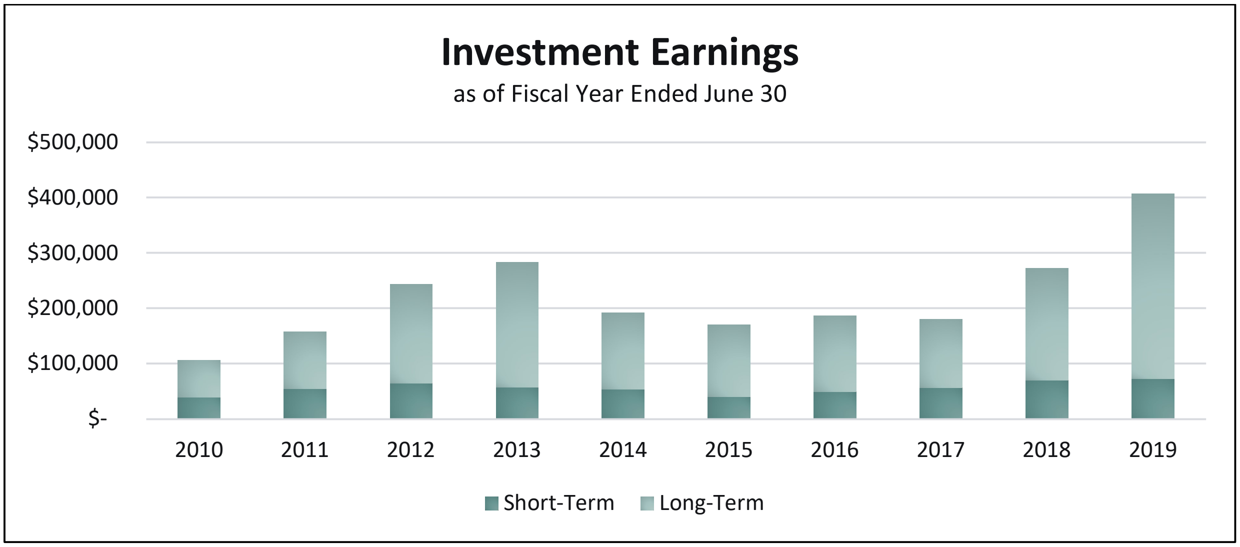




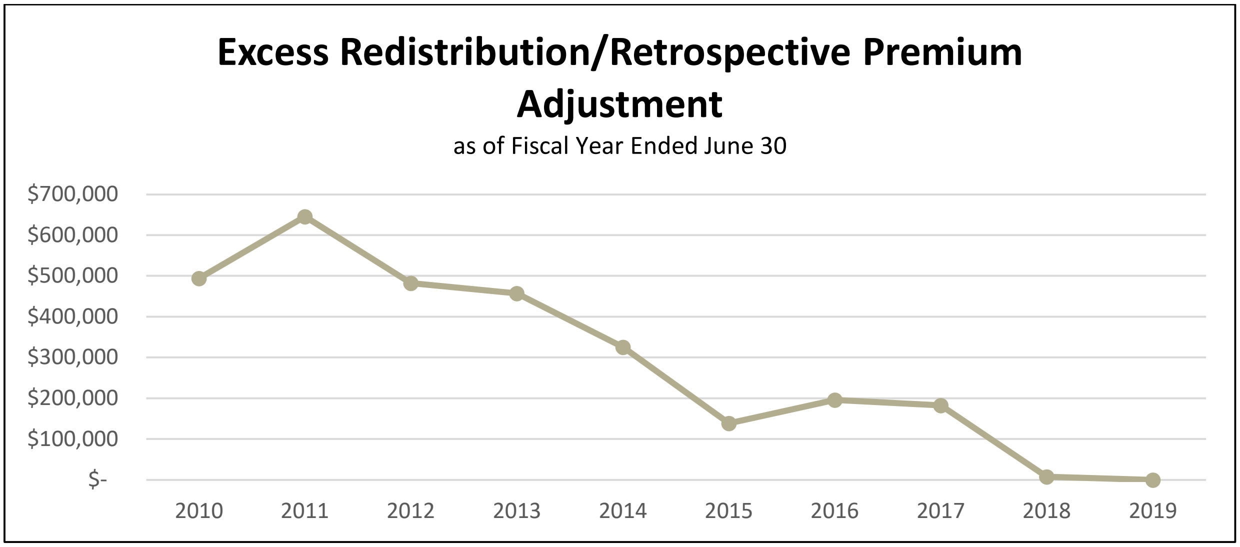
The upward trend in program premiums, as shown directly above, illustrates the direct correlation between members' payroll and claim loss history; both of which are two major factors when calculating premiums. Recent trends have seen upward costs in claims, as well as continued economic strength which has resulted in increases in member payroll. Other factors, such as (but not limited to), actuarial determined claims costs and excess premiums also effect overall premium revenue.

REVENUES (continued)

YCPARMIA's investment earnings have been slow, but steady, to recover due to our conservative investment policies. The majority of YCPARMIA's short-term investments are held in a Local Agency Investment Fund (LAIF) which is monitored by Yolo County. The Authority's long-term investments are managed by a professional asset management group, Chandler Asset Management.



Excess redistribution from our excess carrier, CJPRMA, has experienced a considerable decrease with no redistribution for the past two fiscal years. A significant factor causing the decrease is the series of catastrophic claims and need to re-establish program fund balances. Below is a graph that represents the amount of excess redistribution YCPARMIA has received over the last ten fiscal years.



DEBT CAPACITY

YCPARMIA's stated purpose is to act as a risk funding mechanism for its members with the primary source of income deriving from those participants. As a tightly budgeted agency, our goal is to ensure expenses do not exceed expected revenues. In addition, our objective is to provide the most cost-effective pooled coverage available along with responsive and comprehensive risk management services to mitigate the need for reassessments. If funding ever becomes inadequate to satisfy membership obligations, the Board of Directors has the authority to assess the membership for additional funding.

Fortunately, due to proactive financial management, we have been successful in increasing the scope of limits and coverage without the need to incur any debt. Therefore, YCPARMIA has no debt obligation or capacity.

The following information describes the various coverages offered and per claim retention levels in-lieu of debt capacity.

SELF-INSURED RETENTION LIMITS (SIR)

Program Type	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Liability	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Workers' Compensation	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Fidelity	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Property	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Boiler/Machinery	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Aviation	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru
Drone									pass-thru	pass-thru
Landfill	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru
Marine	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru
Medical Malpractice	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru
Underground Storage Tanks (UST)	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru	pass-thru

Note: This schedule of coverages represents specific fiscal years that reflect when a program began, or a change was made in the retention level. No changes made for FY18/19.

YCPARMIA's services include risk financing through self-insured retention (SIR) limits. This is provided where there is a commonly shared risk amongst the member entities. In areas that are not appropriate for pooling, YCPARMIA uses its group purchasing power and broker relations to provide competitive pricing for those insured exposures.

The choice of SIR limits has a number of related effects. First, it sets our maximum exposure for an individual claim. In turn, this influences the overall amount of program reserves needed, which can increase due to increase in exposure limits. Secondly, as the retention limit rises, the cost of excess premiums decreases as we are retaining more risk.

The above table represents YCPARMIA's SIR limits per fiscal year by program for the past ten years. The programs listed with "pass-thru" retention limits indicate they are paid by the individual members that utilize those specific coverages, as opposed to a pooled limit within our organization. This is due to the fact that not all coverages pertain to the entire entity, but rather individual entities as necessary.

OPERATING INFORMATION

YCPARMIA's budget is approved annually by the Board of Directors. If during the budgetary period a budgeted line item is anticipated to exceed approved costs by more than five percent, the Board has the power to approve a mid-year adjustment. Any budgeted line item with a five percent deviation (or more) from the approved budget is expressed in an annual variance report.

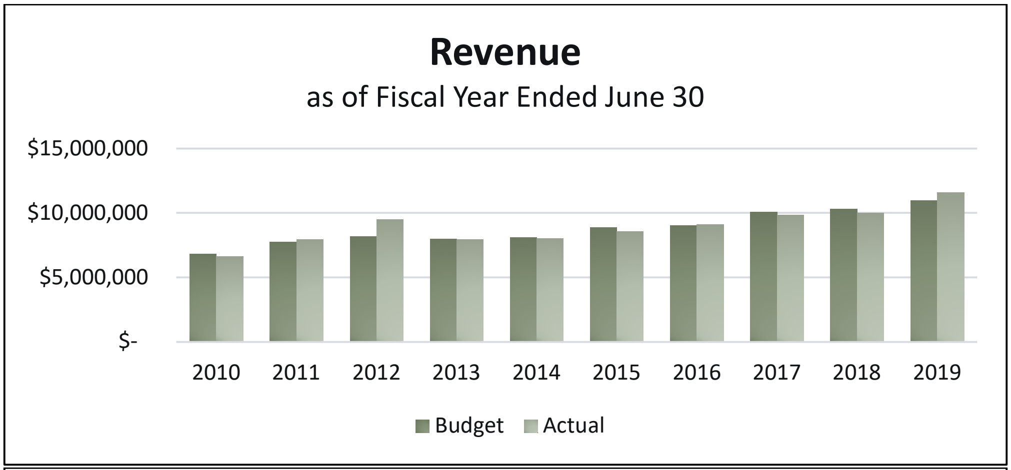
Revenue is largely determined by the Board approved member premiums that are generated by formulas stated in our By-laws. Furthermore, estimated income from investments and rebates from our excess groups also contribute to overall revenue.

The expense portion of the budget is comprised of three major sections: administrative and service expenses, claims expenses, and excess coverage expenses. Administrative and service expenses are tightly budgeted with the largest portion tied directly to our individual program costs. Since risk is sensitive to inflationary pressures, the goal is to counteract those pressures with loss prevention and claim litigation/management. Excess coverage costs are also tied to those same volatile pressures and is our second largest expense.

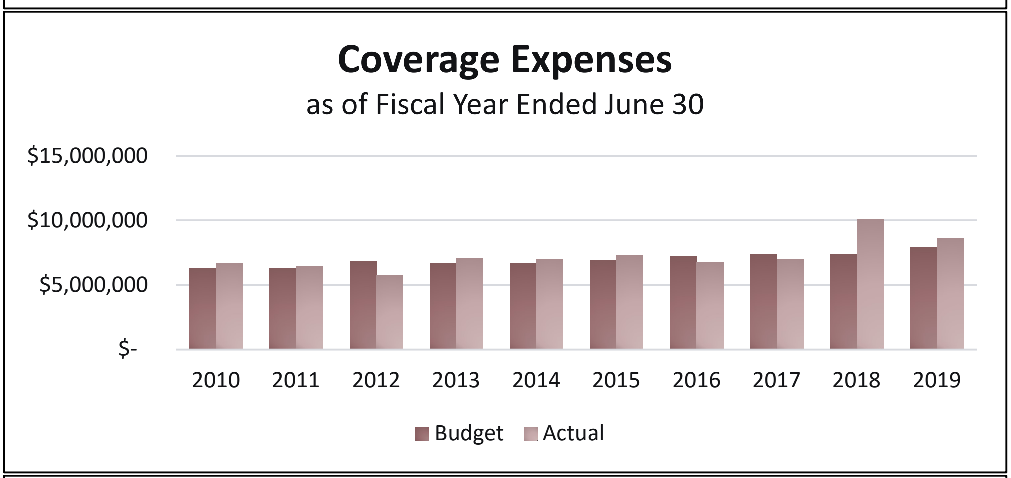
The following subsection provides visual and narrative information on the above-mentioned primary expenses for our JPA. In addition, YCPARMIA's member growth has been charted in coordination with this section.

BUDGET VERSUS ACTUAL

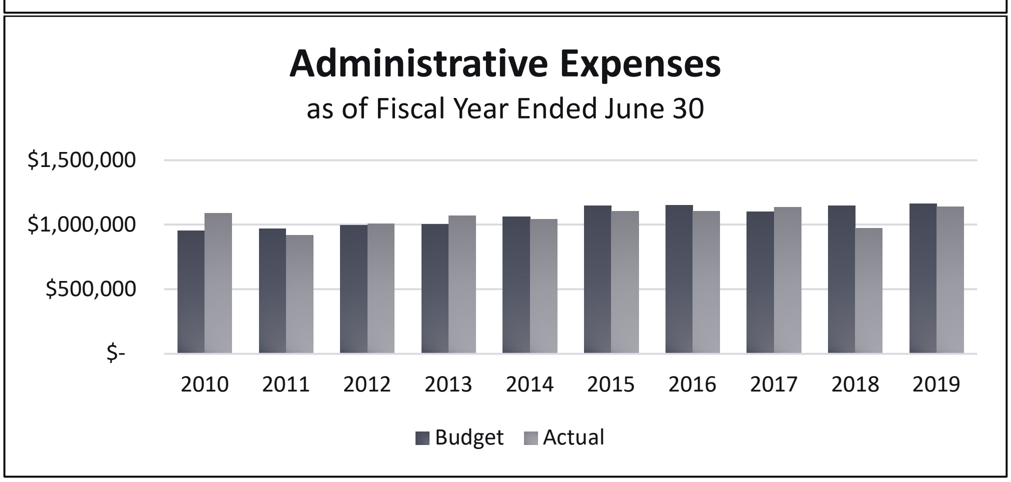
Below are graphs for the three main components of YCPARMIA's budget: revenue, coverage, and administrative expenses. Below, each of these components compares what YCPARMIA budgeted each fiscal year against what actually occurred.



Revenue consists of annual member premiums/cash payments, investment earnings, and excess redistribution.



Coverage expenses include claims, claims administration, and excess insurance costs.



Administrative expenses include administrative, operating, and member service costs.

YCPARMIA MEMBERSHIP

Current Voting Members

Entity	Year of Membership	Average # Paid Employees
City of Davis	1979	521
City of Winters	1979	65
City of Woodland	1979	426
County of Yolo	1979	1,695
Esparto Unified School District	1979	135
City of West Sacramento	1985	544

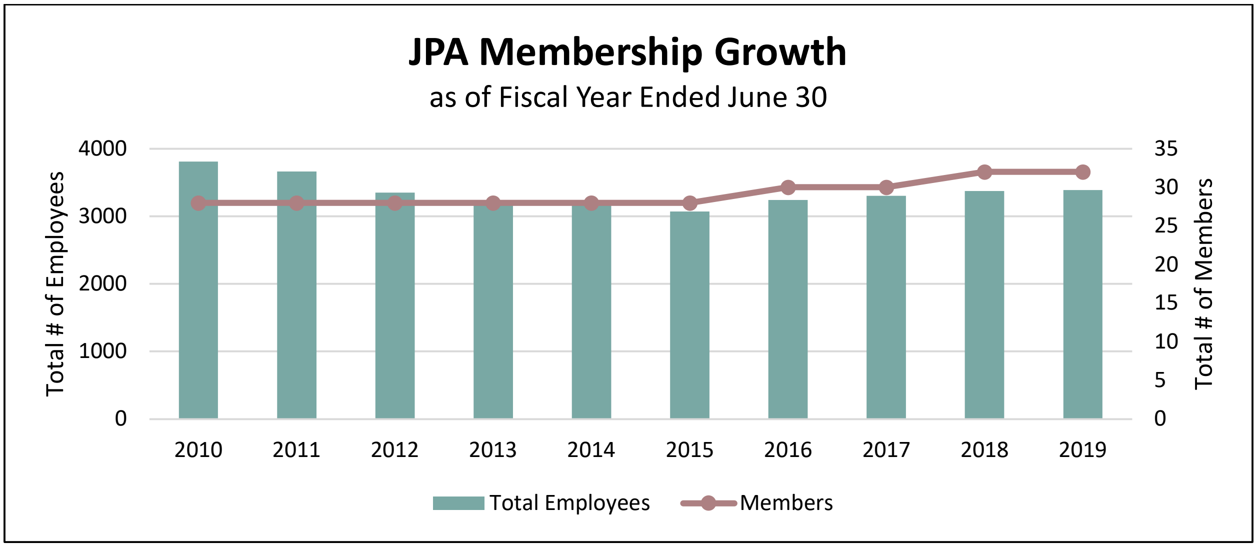
Current Non-Voting (Associate) Members

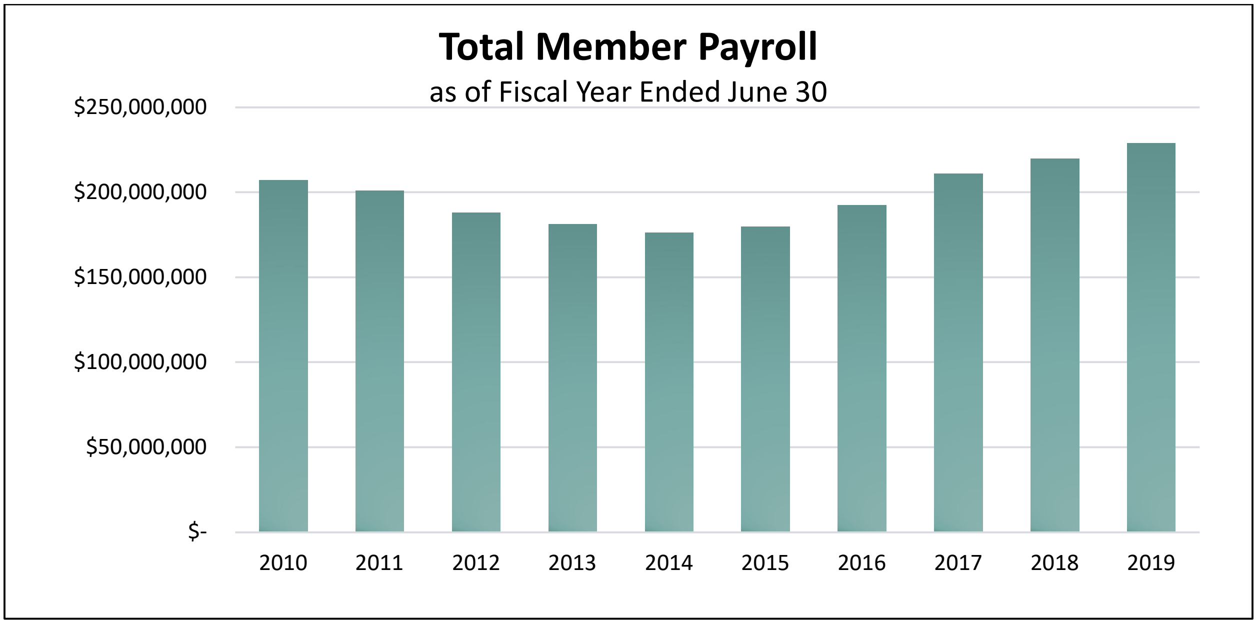
Entity	Year of Membership	Average # Paid Employees
Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA)	1979	7
Springlake Fire Protection District	1983	Board Only
Yolo-Solano Air Quality Management District (YSAQMD)	1985	21
Capay Valley Fire Protection District	1986	2
Yolo County Communications Emergency Services Agency (YCCESA)	1988	44
East Davis County Fire Protection District	1997	Board Only
California Superior Courts, Yolo County	1999	102
No Man's Land Fire Protection District	2000	Board Only
Yolo County Law Library	2001	2
Yolo County In-Home Supportive Services Public Authority (IHSS)	2002	4
Davis Cemetery District	2003	6
Madison Fire District	2003	2
Winters Cemetery District	2003	County Employees
Yolo County Local Agency Formation Commission (LAFCO)	2003	County Employees
Yolo Habitat Conservation, Joint Powers Authority	2003	2
Dunnigan Fire Protection District	2004	7
Clarksburg Fire Protection District	2005	2
Cottonwood Cemetery District	2005	1
Sacramento-Yolo Port District	2006	Board Only
Winters Fire Protection District	2006	Board Only
Madison Community Service District	2008	1
Woodland-Davis Clean Water Agency	2009	Board Only
West Plainfield Fire Protection District	2016	8
Willow Oak Fire Protection District	2016	5
Esparto Fire Protection District	2017	2
Valley Clean Energy Alliance (VCEA)	2017	1

JPA GROWTH

YCPARMIA members are limited to public entities with substantial activity within Yolo County. Membership has grown from five (5) members in 1979 to thirty-two (32) members as of 2019. The charts shown on this page highlight the continued stability and growth of our JPA along with the member breakdown.

Member Type	# of Entities
Cities	4
Counties	1
Cemetery Districts	3
Fire Districts	11
School Districts	1
Other	12
Total	**32**





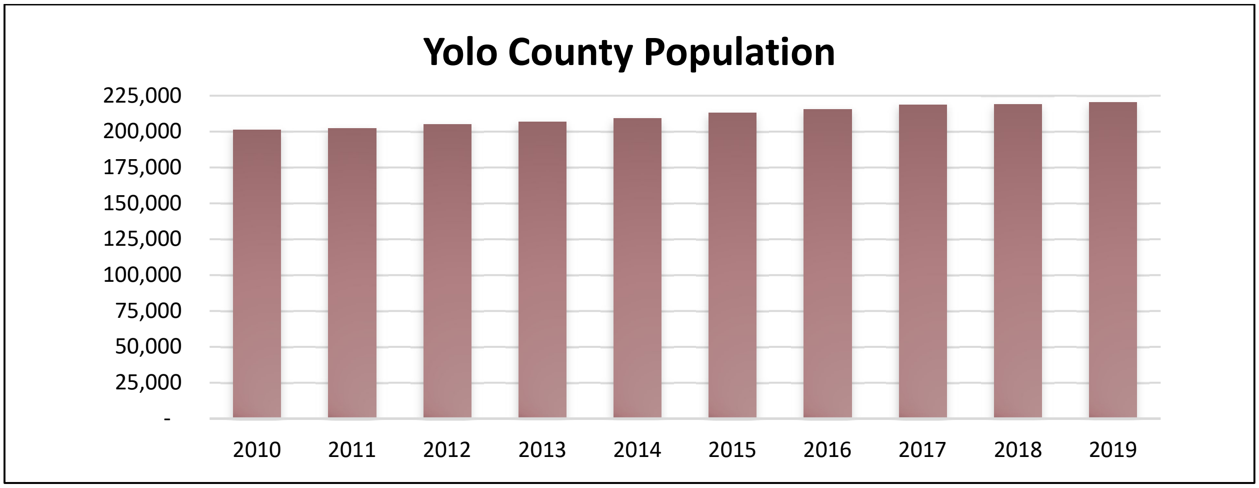
DEMOGRAPHIC AND ECONOMIC INFORMATION

Yolo County is nestled between the San Francisco Bay Area and the State Capitol, Sacramento. It is largely rural with the metropolitan Sacramento County to the southeast border.

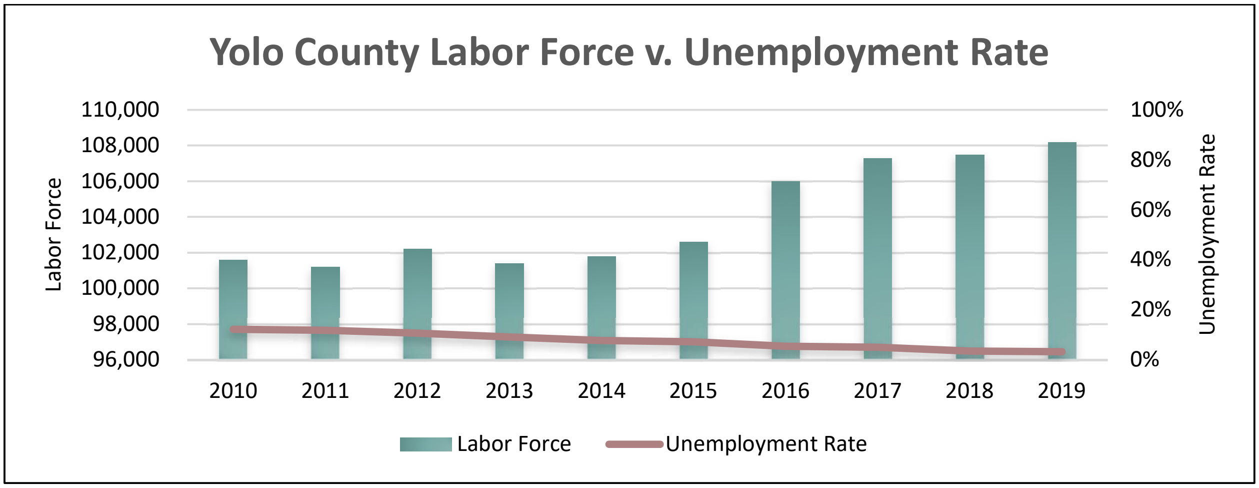
The County is comprised of four major cities: Davis, West Sacramento, Winters, and Woodland. The City of Davis is home to one of the Nation's top 50 universities, University of California, Davis (UC Davis). UC Davis has over 40,000 students admitted for the Fiscal Year 2018-2019 Academic year (UC Davis News, July 2019) and offers a wide variety of undergraduate and graduate programs. West Sacramento is located directly across the Sacramento River from the City of Sacramento and has a fairly large industrial base including the Port District. The City of Woodland is the central hub where the main County offices and Superior Court are located. The City of Winters is the most rural of the four with a population of approximately 7,200. Our remaining members serve the surrounding areas with more specialized services such as fire protection and other county/community services. By Board policy, all YCPARMIA members must be public agencies with substantial activity within Yolo County.

Included in this subsection are statistical references to Yolo County's population, income, unemployment rate, and top employers.

POPULATION, LABOR FORCE, AND UNEMPLOYMENT STATISTICS



Shown above is Yolo County's population growth over the last ten years which has steadily risen. Although it appears small in numbers, an article published in early 2018 by the Daily Democrat stated that Yolo County is projected to grow at a faster rate than any other county in California through year 2060.



The graph above compares Yolo County's labor force and unemployment rate. The combination of an expanding labor force and declining unemployment rate increases exposures for our members due to increased economic activity. Fortunately, for fiscal year-end 2019, YCPARMIA has not seen a significant change in claim numbers due to this trend.

PERSONAL INCOME AND INCOME PER CAPITA

Year	Frequency	Description	Source	Amount
2018	Annual	Per Capita Personal Income	BEA	$ 54,118
2017	Annual	Median Household Income	Small Area Income Estimates (Census Bureau)	$ 64,900
2017	Annual	Per Capita Personal Income	BEA	$ 52,207
2016	Annual	Median Household Income	Small Area Income Estimates (Census Bureau)	$ 63,645
2016	Annual	Per Capita Personal Income	BEA	$ 51,225
2015	Annual	Median Household Income	Small Area Income Estimates (Census Bureau)	$ 58,766
2015	Annual	Per Capita Personal Income	BEA	$ 49,063
2015	Annual	Total Personal Income	BEA	$ 10,451,103
2013	Annual	Per Capita Personal Income	BEA	$ 44,556
2013	Annual	Total Personal Income	BEA	$ 9,221,204
2012	Annual	Per Capita Personal Income	BEA	$ 42,900
2012	Annual	Total Personal Income	BEA	$ 8,929,353
2011	Annual	Per Capita Personal Income	BEA	$ 42,738
2011	Annual	Total Personal Income	BEA	$ 8,645,116
2010	Annual	Per Capita Personal Income	BEA	$ 39,567
2010	Annual	Total Personal Income	BEA	$ 7,958,000
2009	Annual	Per Capita Personal Income	BEA	$ 39,324
2008	Annual	Median Household Income	Small Area Income Estimates (Census Bureau)	$ 57,877
2008	Annual	Per Capita Personal Income	BEA	$ 40,304

Shown above is a list of Yolo County's personal income and income per capita for the last ten years. The most recent data available is from 2018 and was obtained from the Census Bureau and U.S. Bureau of Economic Analysis (BEA).

TOP 25 EMPLOYERS

Rank	Company Name	# of Full-time Employees	% of Labor Force	Type of Business
1	University of California, Davis	10,032	9.27%	Graduate/Undergraduate Education
2	State of California	3,465	3.20%	Government
3	Cache Creek Indian Bingo & Casino	2,200	2.03%	Gaming Casino
4	United States Government	1,532	1.42%	Government
5	Yolo County	1,473	1.36%	Local Government
6	Woodland Joint Unified School District	1,000	0.92%	K-12 Education
7	Raley's Inc.	947	0.88%	Grocery Retail
8	Clark Pacific Corp.	870	0.80%	Construction
9	Sutter Health	853	0.79%	Hospital, Clinic, Surgery Center
10	Woodland Memorial Hospital	775	0.72%	Hospital, Clinic, Surgery Center
11	Walgreens	705	0.65%	Pharmacy Retail
12	Pacific Gas and Electric Co.	677	0.63%	Utilities
13	Nugget Markets Inc.	495	0.46%	Grocery Retail
14	Yolo County Office of Education	390	0.36%	County District
15	City of West Sacramento	380	0.35%	Municipality
16	Bayer, Crop Science Division	350	0.32%	Agricultural Technology
17	Nor-Cal Beverage Co. Inc.	310	0.29%	Professional Services
18	Hunter of Douglas, Inc.	300	0.28%	Paint and Product Services
19	Beckman Coulter	300	0.28%	Health Care Equipment and Services
20	City of Woodland	292	0.27%	Municipality
21	CommuniCare Health Centers	273	0.25%	Hospital, Clinic, Surgery Center
22	IDEXX Laboratories Inc.	200	0.18%	Veterinary Services
23	HM Clause Inc.	190	0.18%	Agricultural Technology
24	Safeway Inc.	184	0.17%	Grocery Retail
25	Skyline Homes Inc.	180	0.17%	Construction

Three of YCPARMIA's members are included in the top 25 employers in Yolo County. The members included are Yolo County, City of West Sacramento, and City of Woodland, respectively. Employer information was derived from the Sacramento Business Journal Book of Lists as of May 31, 2019. Labor force information is based on data provided by the State of California Employment Development Department (EDD) as of May 2019.

COVERAGE PROGRAMS

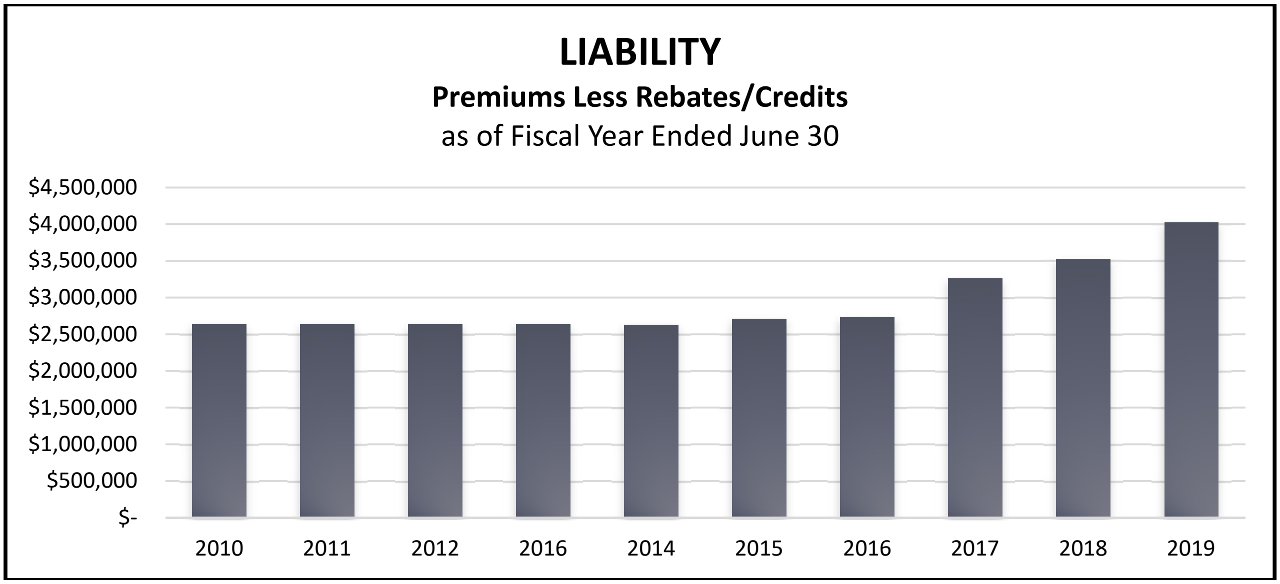
This subsection provides information regarding YCPARMIA's four main self-insured programs: Liability, Workers' Compensation, Property, and Fidelity. All other programs including, but not limited to, medical malpractice, aviation liability, and pollution liability are also offered on a pass-through basis as our members' specific needs arise.

Each program has its own self-insured retention limit (SIR), confidence margin, catastrophic fund, and program reserves that are either set by Board policy or are based on actuarial assumptions. YCPARMIA is also a member of various excess insurance programs to protect member losses that exceed our SIR limits. YCPARMIA members are required to participate in the Liability program (unless proof of other coverage is provided), while the remaining three programs are optional. All six of our JPA's voting members participate in all four programs.

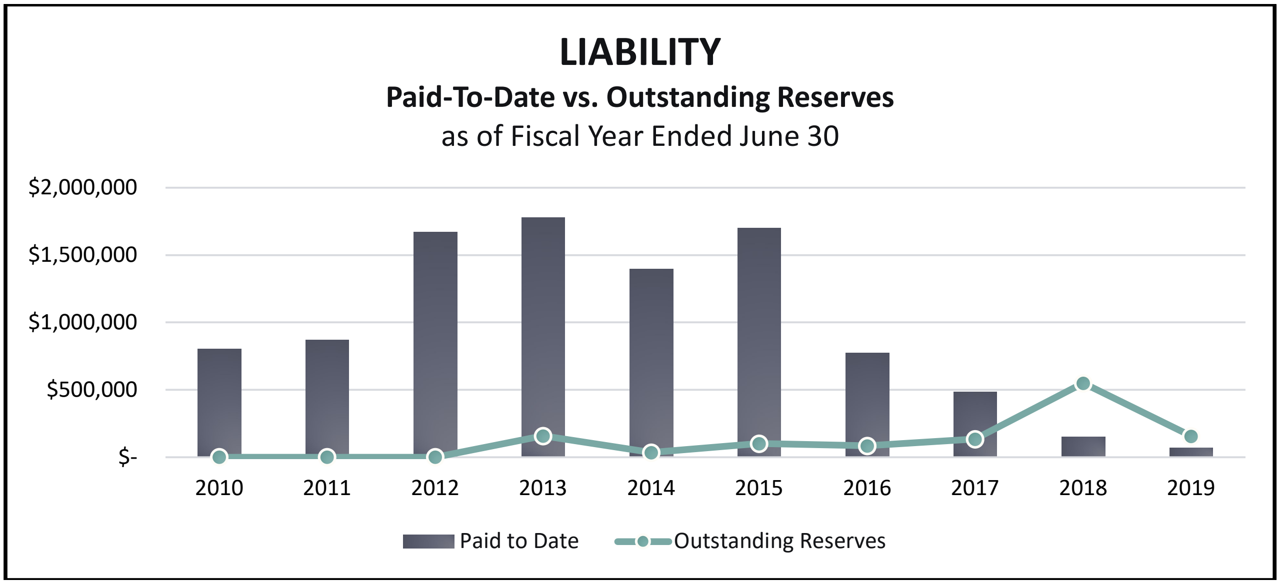
The information on the accompanying pages illustrates the ten-year progress of each of the four programs. These charts allow YCPARMIA to track claim trends, claims and premium costs, etc. for our members.

LIABILITY PROGRAM

Presented below are charts intended to assist in gaining further understanding about YCPARMIA's liability program and its activity.



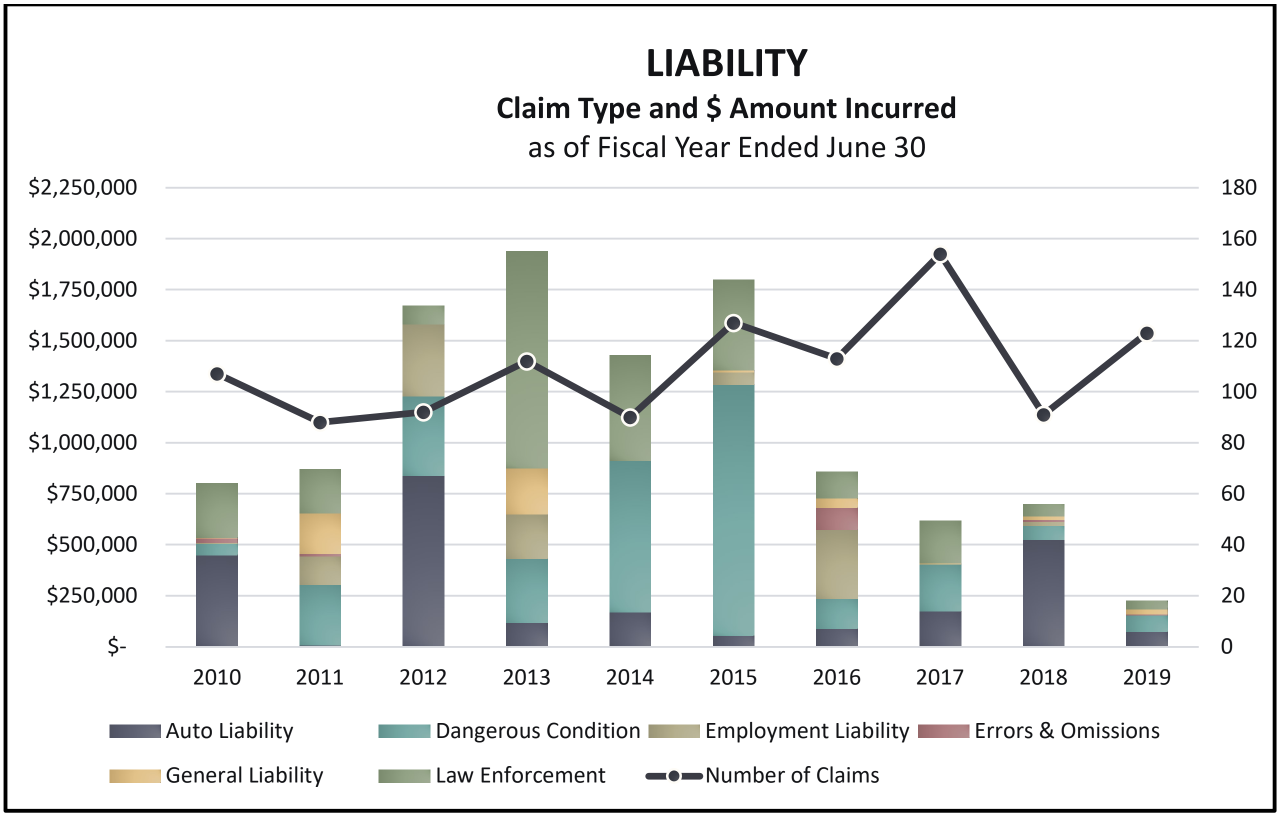
Above represents the premiums received from our members for our liability program. This is less any rebates/credits issued at the beginning of the fiscal year, if any.



The Paid-to-Date versus Outstanding Reserves graph illustrates the remaining years hosting open liability claims going back ten fiscal years.

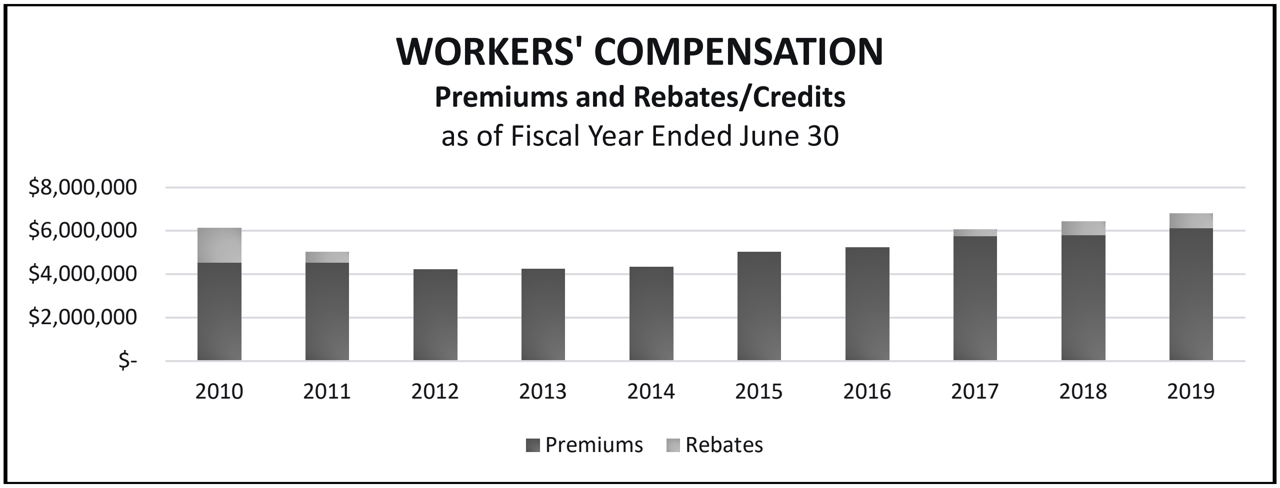
LIABILITY PROGRAM (continued)

The graph below provides a breakdown of common types of claims where our expenses for liability claims occur. In addition, it is compared against the number of claims that happened during that fiscal year.

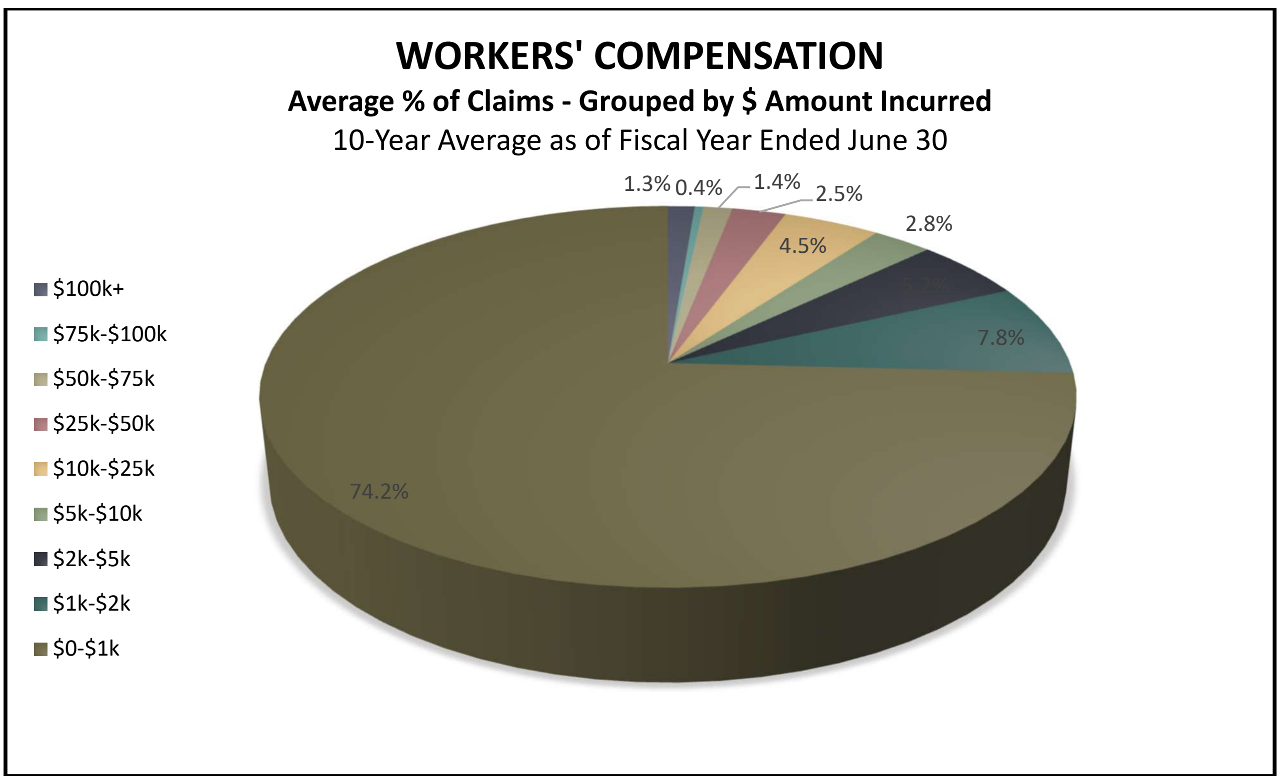


WORKERS' COMPENSATION PROGRAM

Presented below are charts intended to assist in gaining further understanding about YCPARMIA's workers' compensation program and its activity.

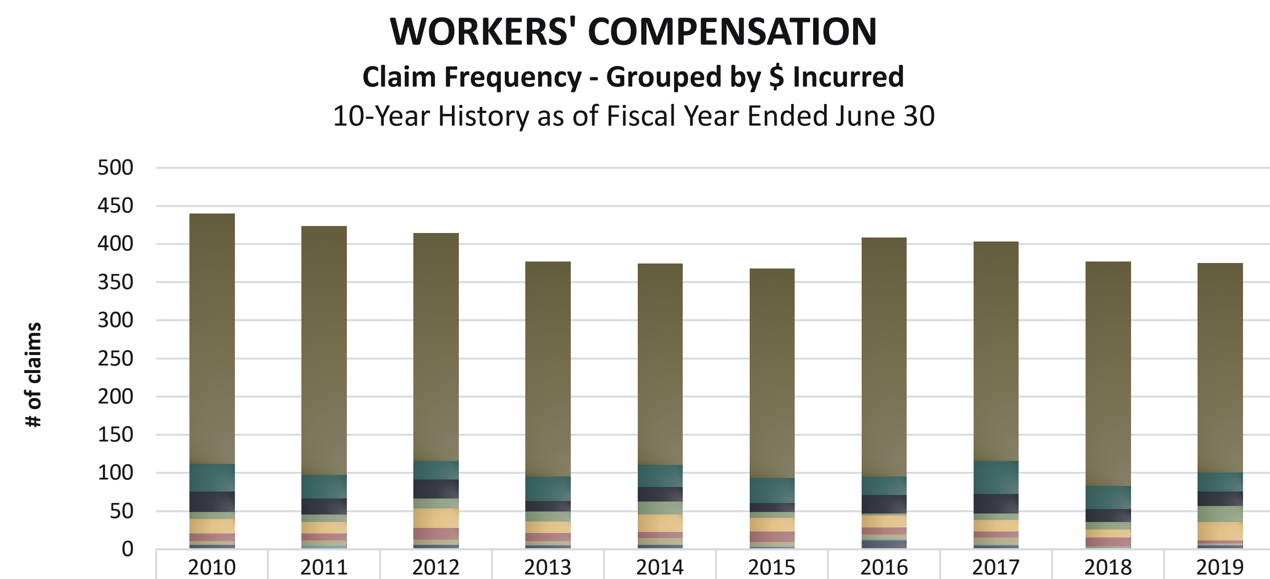


Above represents the premiums received from our members for our workers' compensation program including rebates/credits applied.



As shown above, approximately 74% of our members' workers' compensation claims fall under their $1,000 deductible.

WORKERS' COMPENSATION PROGRAM (continued)

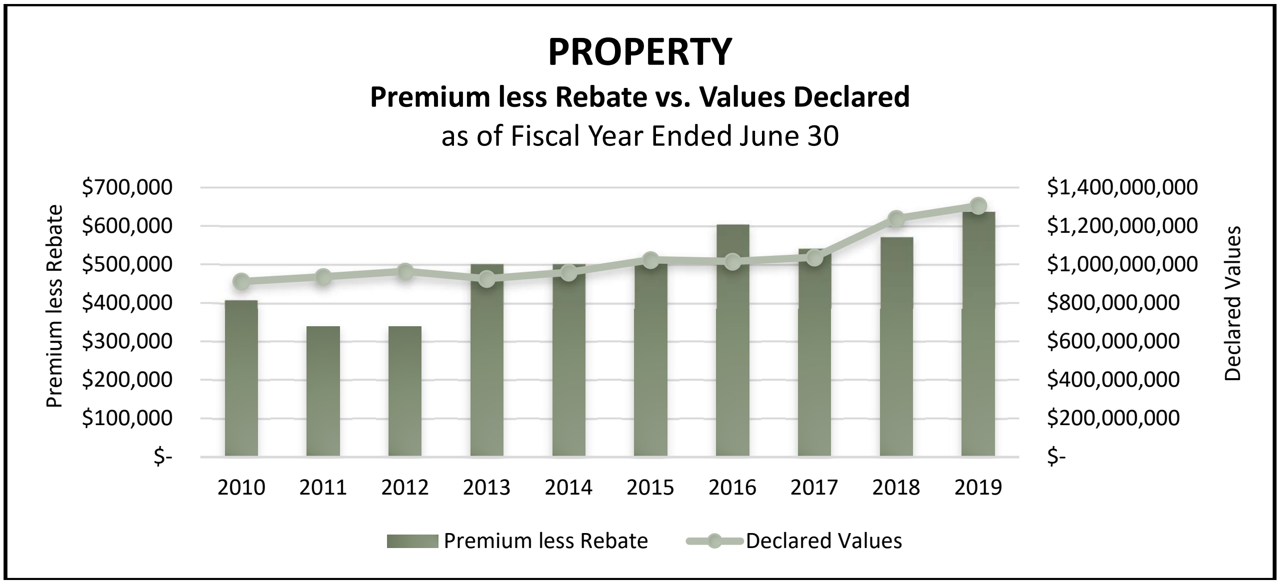


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
$0-$1k	328	325	298	281	263	274	312	287	294	274
$1k-$2k	36	31	24	32	29	33	24	43	30	25
$2k-$5k	27	21	25	14	19	12	25	26	17	19
$5k-$10k	9	10	13	13	17	8	2	8	10	21
$10k-$25k	19	15	26	15	23	17	16	15	10	24
$25k-$50k	10	9	15	11	8	14	9	8	12	4
$50k-$75k	4	7	6	5	8	6	6	9	1	2
$75k-$100k	1	3	1	1	1	1	2	2	3	1
$100k+	6	2	6	5	6	3	12	5	0	5

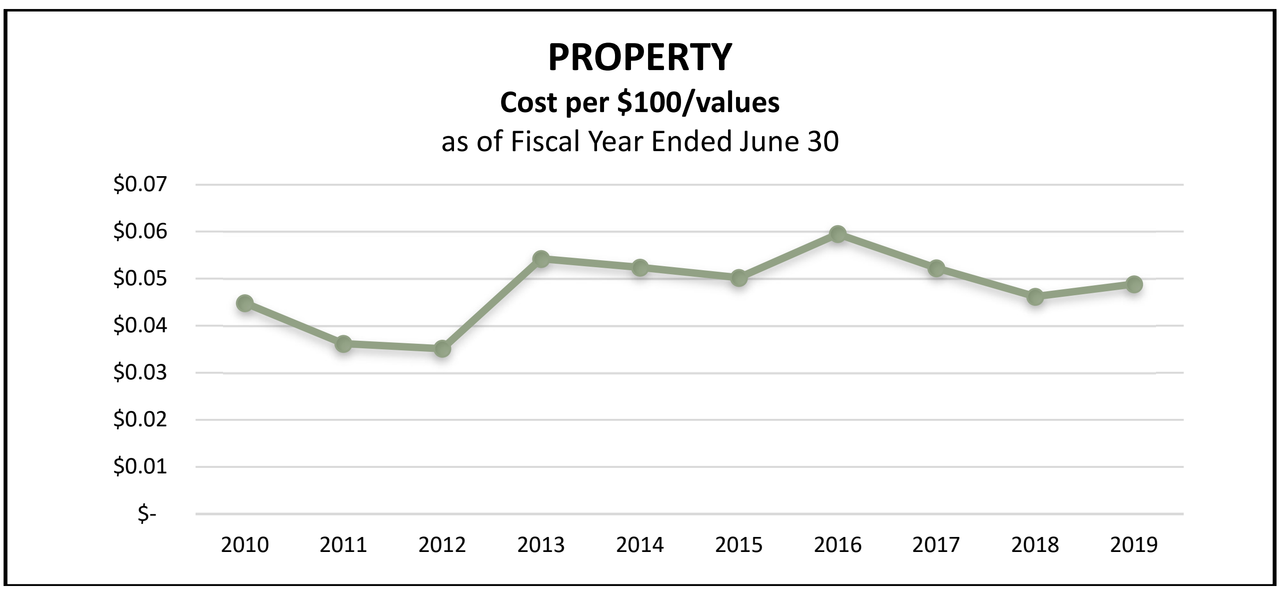
The above chart represents the number of workers' compensation claims by the amount incurred for the past ten fiscal years.

PROPERTY PROGRAM

Presented below are charts intended to assist in gaining further understanding about YCPARMIA's property program and its activity.

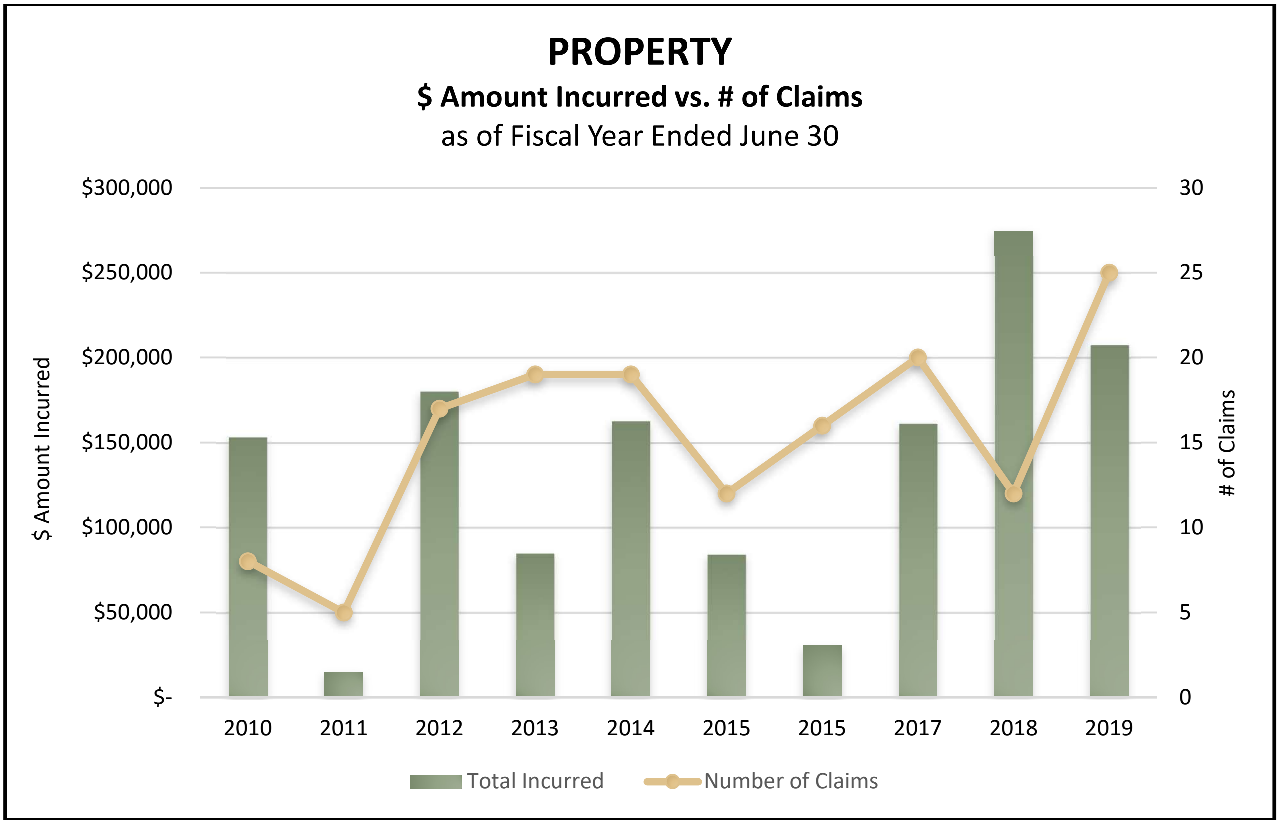


Above represents the premiums received from our members for our property program. This is less any rebates/credits issued at the beginning of the fiscal year, if any. In addition, it includes total property values declared by the participating members.



The above graph represents the property premium cost per $100 of property values.

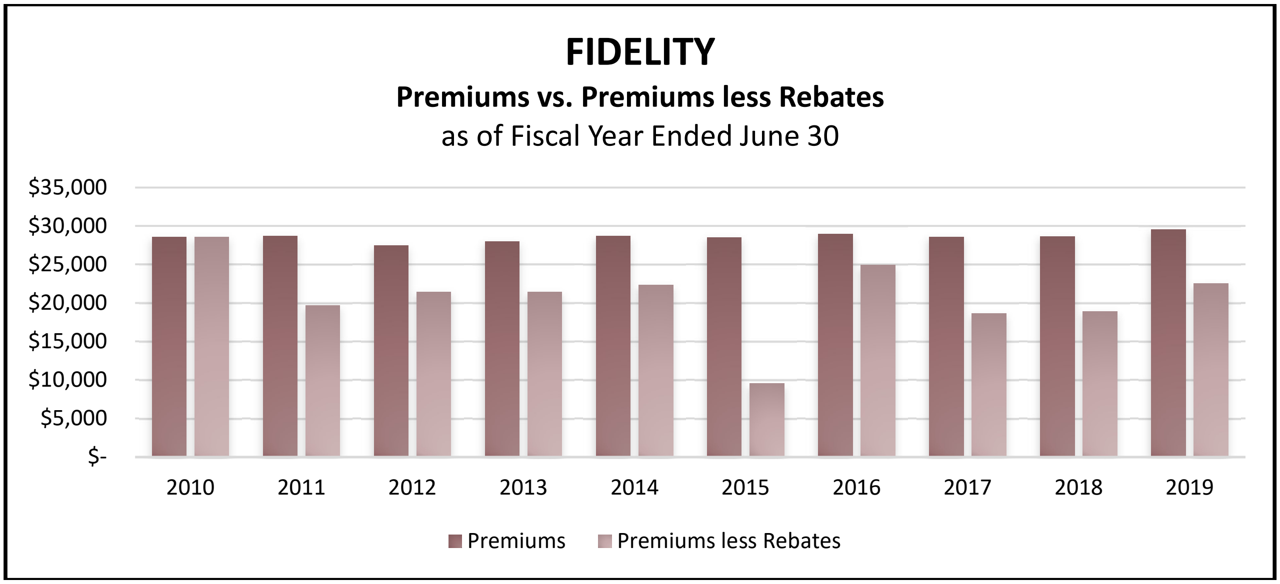
PROPERTY PROGRAM (continued)



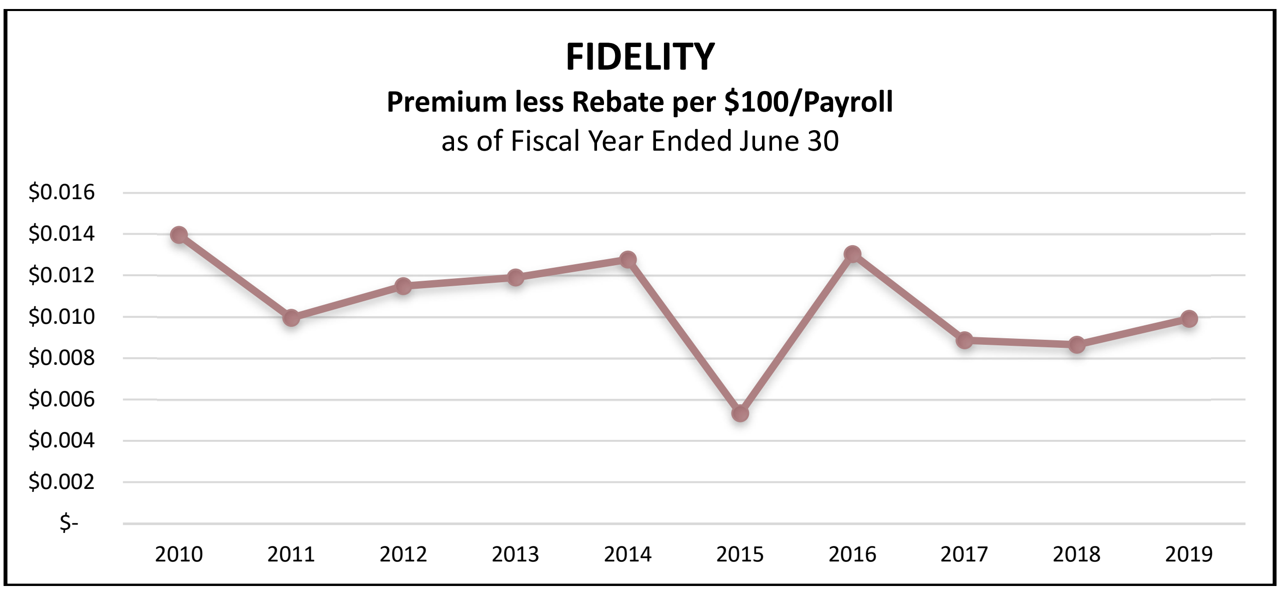
The Total Incurred versus Number of Claims provides comparison of the number of claims occurred in a fiscal year to the total incurred cost of the claims. As shown in the graph above, these amounts can vary drastically from year-to-year. However, the number of claims is still relatively low in comparison to the Liability and Workers' Compensation programs.

FIDELITY PROGRAM

Presented below are charts intended to assist in gaining further understanding about YCPARMIA's fidelity program and its activity.



Above represents the member premiums calculated for our fidelity program versus those same premiums with rebates/credits applied. The fidelity program has been fully funded since inception and the Board has approved rebates/credits every year from the past ten years with the exception of fiscal year 2009-2010.



Above represents premium cost per $100 of total member payroll less applied rebates.

OTHER CONSIDERATIONS

Crowe

Crowe LLP
Independent Member Crowe Global

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

To the Board of Directors and Members
Yolo County Public Agency Risk Management
Insurance Authority
Woodland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Yolo County Public Agency Risk Management Insurance Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Yolo County Public Agency Risk Management Insurance Authority's basic financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yolo County Public Agency Risk Management Insurance Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yolo County Public Agency Risk Management Insurance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Yolo County Public Agency Risk Management Insurance Authority's internal controls.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yolo County Public Agency Risk Management Insurance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
October 18, 2019

FINANCIAL INTERNAL CONTROLS POLICY

I. General Purpose

At the April 28, 1999 Board of Directors meeting, the Board approved an internal control policy for the financial records of Yolo County Public Agency Risk Management Insurance Authority ("the Authority").

The purpose of the Financial Internal Controls Policy is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the Authority, and managing the Authority's funds. This Financial Internal Controls Policy replaces any previous internal controls policy or procedures of the Authority.

II. Financial Responsibilities

It is the responsibility of the Board of Directors to formulate financial policies and review operations and activities on a periodic basis.

The Board delegates this oversight responsibility to the Financial Analyst. This responsibility is shared through delegation with the Authority's CEO/Risk Manager. The Authority's CEO/Risk Manager and Financial Analyst act as primary fiscal agents, implementing all financial policies and procedures. The CEO/Risk Manager, with assistance from the Financial Analyst, are responsible for coordination of the following: annual budget presentation, selection/coordination of outside auditors, approving revenue and expenditure objectives, and overseeing the Authority's managed investment accounts.

The Financial Analyst is responsible for daily operations that include managing the Authority's funds, ensuring accuracy of accounting records, internal controls, financial objectives and policies, financial statement preparation, and all account and bank reconciliations.

In addition, the Financial Analyst is responsible for maintaining the Authority's accounting system which includes the chart of accounts, reporting formats, accounts payable, accounts receivable, payroll processing, journal entries for the general ledger, Form 1099 reporting, Form DE9 and DE9C reporting, as well as any other finance-related tasks.

III. Budgeting Process

The Financial Analyst shall be responsible for presenting to the CEO/Risk Manager, an annual operating budget draft at least 120 days prior to the end of the current fiscal year. The CEO/Risk Manager may suggest or implement any changes to the budget until there is mutual agreeance with the Financial Analyst on the drafted budget. Once completed, the budget shall be presented to the Board of Directors at the March meeting for adoption with final approval no later than the first day of the upcoming fiscal year.

The budget shall contain revenues and expenses for each of the Authority's four programs: liability, workers' compensation, property, and fidelity along with forecasts for administrative and service expenses. Revenues shall contain forecasts for investment earnings, excess premium rebates, and premium/cash payments received from the member entities. The budget may be forecasted as an annual estimation.

IV. Financial Statements

The Authority's financial statements shall be prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) on a quarterly basis.

The quarterly financial statements shall include Profit & Loss Budget versus Actual, Balance Sheet, and Statement of Revenues, Expenses & Net Position which are generated through the Authority's accounting system.

The Financial Analyst shall prepare quarterly financial statements in a Board-approved format for each of the board meetings. The statements shall be presented to the CEO/Risk Manager and Board of Directors for review.

In addition, a summarized quarterly investment report and detailed general ledger for all transactions pertaining to the Local Agency Investment Fund (LAIF) shall be provided to the Board of Directors. The investment report shall include confirmation of compliance with the Authority's Investment Policy, and a signed certification by the Authority's Treasurer corroborating an appropriate amount of funds are available to satisfy estimated cash flow requirements.

V. Receiving of Funds/Payments and Invoices

The following procedures for checks/invoices received through the mail or given to a staff person shall be in place.

- For Invoices:
  - The Secretary shall open all invoices received by mail or in person.
  - The Secretary will hand all invoices to the Administrative Assistant.
  - The Administrative Assistant (as the primary purchaser) shall verify that items were received and amount quoted on the invoice is correct.
  - Once verified, all invoices will be handed over the CEO/Risk Manager for approval and initials.
  - All approved invoices will be given to the Financial Analyst/Accountant to process payment.
  - Accountant will write checks and ensure expenses are coded to the appropriate expense account.
  - Checks then go to CEO/Risk Manager for review and signature.
  - Signed checks, payment stubs, invoices and any other related paperwork are then given to the Secretary or Administrative Assistant for final review.
  - Secretary or Administrative Assistant confirms check amount matches invoice total. Once confirmed, the Secretary or Administrative Assistant will mail payment in a stamped envelope.

- For Payments/Checks:
  - The Secretary shall open all payments/checks received by mail or in person.
  - The Secretary will complete a numerical cash receipt stating the current date, date the check was written, check number, name of sender, amount paid, and invoice numbers for the payment to be applied to, if applicable.
    - The Secretary gives the original (white) copy of the cash receipt and check stubs to the Administrative Assistant for further recording/filing.
    - The Secretary gives the carbon (pink) copy of the cash receipt and checks to the Accountant for deposit.
  - Accountant confirms amount of checks, applies payments to correct invoices as necessary, and records deposits into the accounting system.
  - The checks are then stored in a locked safe until a bank deposit is made.

- For Bank Deposits:
  - Accountant must endorse all checks with the Authority's endorsement stamp. A triplicate deposit slip must be filled out completely and accompany the checks to the bank for deposit. The Accountant must be sure to keep the pink and yellow copies for their own records.

- Once deposit is complete, the yellow copy will be given to the Administrative Assistant.
- The pink copy stays with the Accountant along with the pink numerical cash receipt for filing.

VI. Money Transfers

The Accountant shall monitor all bank activity of the Authority. As needed, the Accountant shall request a money transfer to ensure accounts are properly funded. The Accountant shall create an invoice in the accounting system from the appropriate account. The Accountant shall provide the invoice to the CEO/Risk Manager for approval and initials. Once the transfer has been approved, the Accountant shall transfer funds through the online banking website as appropriate. All copies of approved invoices and money transfers shall be filed in the “Banking Transfers” binder.

VII. Signature Policy

The CEO/Risk Manager shall sign all checks, drafts, orders for payment of money, contracts, and commitments for services issued in the name of the Authority, unless otherwise specified by the Board of Directors. In the absence of the CEO/Risk Manager, the Board President and Vice President are authorized to sign in the name of the Authority. Furthermore, any checks issued in the amount of $200,000 or more require two signatures from any of the three above-mentioned authorized signers.

VIII. Bank Reconciliations

Bank reconciliations for the Authority’s checking accounts shall be completed on a monthly basis.

All monthly bank statements shall be reviewed by the Administrative Assistant prior to being handed over to the Accountant for reconciliation. The Administrative Assistant shall verify all account activity and that the copies of cancelled checks match actual payments made by the Authority. Once review is complete, the Administrative Assistant will initial the statement and hand it to the Accountant.

The Accountant must verify all account activity including payments, deposits, interest earned, service charges, etc. Any adjustments/issues must be addressed before reconciliation is complete. Reconciliations shall be performed using the Authority’s accounting system. Once complete, all copies of reconciliation reports shall go to the CEO/Risk Manager for final approval and initials. Approved reconciliation reports shall be filed in the “Banking” binder.

IX. Third-Party Payment Reconciliations

The Authority utilizes a third-party administrator (TPA) to manage workers’ compensation claims and payments. Monthly invoices are issued by the TPA to fulfill payments made to claimants. All invoice requests shall be reviewed and approved by the CEO/Risk Manager prior to payment. After the invoice is approved, the Accountant shall issue a check for the requested amount. The Accountant shall keep records of all invoices and payments made throughout the year. On a monthly basis, the TPA shall provide the Authority with a complete copy of its account activity and bank reconciliations. The Accountant shall reconcile the copies of approved invoices with the TPA to confirm monthly account activity.

The Authority administers the liability and property programs in-house. All invoices requests shall be reviewed and approved by the CEO/Risk Manager prior to payment. After the invoice is approved, the Accountant shall issue a check for the requested amount. Once the check has been signed by the CEO/Risk Manager, the Accountant shall give all invoices and checks to the Administrative Assistant. The Administrative Assistant is responsible for confirming invoices match issued checks, along with maintaining the liability and property program databases. The database used will track the claims and amounts paid for each program. On a monthly and quarterly basis, the Administrative Assistant shall provide copies of account activity for both programs from its database to the Accountant. The Accountant shall reconcile the database information with the account activity in the Authority's accounting system to confirm payment activity. All reconciliations shall be filed in their respective binders.

X. Petty Cash

The Authority shall maintain a one hundred dollar ($100) petty cash fund that is replenished as needed. The Administrative Assistant shall maintain control of, and responsibility for, payments disbursed from the petty cash fund. The Administrative Assistant shall keep a running total of receipts paid from the fund.

When necessary, the Administrative Assistant shall provide a request for replenishment to the CEO/Risk Manager. The approved request shall be given to the Accountant who will issue a check in order to bring the fund up to $100.

The Accountant shall audit the petty cash fund on a quarterly basis.

XI. Payroll

The Authority contracts with an independent service to process payroll. The Financial Analyst, as the system administrator, is responsible for communicating and documenting the information necessary for processing payroll including (but not limited to):

- Maintaining records for employees' biweekly time sheets which include time worked, paid time off, and sick leave.
- Any changes in employee compensation and/or benefits.
- Any changes in employee medical benefits including co-payments, caps, increases/decreases in premium payments, or changes in the employee's insured status.
- Any changes in employee deductions, withholdings, or status for tax-related purposes.
- Maintaining records of the payroll journals, cash requirements, and paid time-off accrual reports that are automatically generated by the independent payroll servicer on a biweekly basis.

All of the above-mentioned documentation must be reviewed and initialed by the CEO/Risk Manager and Financial Analyst. All documentation shall be filed in an annual binder specifically for payroll records.

XII. Fixed Asset Inventory and Depreciation Schedule

All Authority assets meeting the definition of a fixed asset shall be accurately recorded and properly classified in the Fixed Asset Depreciation Schedule by the Financial Analyst. The Financial Analyst shall be expected to maintain/update the document on an annual basis (at minimum) or as necessary. The Financial Analyst shall be responsible for the accuracy, efficiency, and compliance of laws and regulations pertaining to the document. The CEO/Risk Manager shall be required to review the document at least annually.

- Asset Classification
    - All fixed assets shall be categorized as follows:
        - Building
        - Building Improvements
        - Land
        - Land Improvements
        - Furniture and Fixtures
        - Machinery and Equipment

- Asset Capitalization General Policy
    - Fixed assets shall be capitalized as follows:
        - All land acquisitions

    - All land renovation and improvement projects costing $10,000 or more
    - All building acquisitions and new construction
    - All building renovation and improvement projects costing $10,000 or more
    - Furniture and fixtures costing $1,000 or more and a useful life of three years or more
    - Machinery and equipment costing $1,000 or more and a useful life of three years or more

- Asset Valuation
  - Fixed assets shall be recorded on date of purchase at historical cost and include any applicable appurtenant costs.
    - Purchased Assets: The recording of purchased assets shall be made on the basis of historical cost, including all appurtenant costs, based on the vendor invoice or other supporting documentation.
    - Constructed Assets: All direct costs, including labor, associated with a construction and/or improvement project shall be included in establishing the asset valuation.

- Asset Salvage Value
  - The salvage value for applicable fixed assets is assumed to be zero at the end of its useful life. When assets are retired or otherwise disposed of, the cost of accumulated depreciation is removed from the accounts and the resulting gain/loss is recognized in income for the period.

- Depreciation Method
  - The Authority shall utilize the preferred method of straight-line depreciation for depreciating applicable fixed assets. Depreciation will begin in the fiscal year the asset is placed in service. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. It is determined by dividing the asset's cost, less salvage value (if any), by estimated useful life (depreciation formula = [asset cost - salvage value] / useful life). An asset's useful life shall be determined per IRS recommendations, Publication 946.

INVESTMENT POLICY

I. INTRODUCTION

The Yolo County Public Agency Risk Management Insurance Authority (hereinafter referred to as YCPARMIA or the "Authority") is a legal entity formed through an exercise of joint powers by participating agencies in Yolo County. The Authority provides risk management, insurance and safety services to members.

The purpose of this investment policy is to identify various policies and procedures that will foster a prudent and systematic investment program designed to achieve YCPARMIA's objectives of safety, liquidity and yield through a diversified investment portfolio. This policy also serves to organize and formalize the Authority's investment-related activities, while complying with all applicable statutes governing the investment of public funds.

This Investment Policy was endorsed and adopted by YCPARMIA's Board and is effective as of the 27th day of June, 2019. This Investment Policy replaces any previous Investment Policy or Investment Procedures of the Authority.

II. SCOPE

This policy covers all funds and investment activities under the direct authority of YCPARMIA, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

A. The Deferred Compensation Plan is excluded because it is managed by a third-party administrator and invested by individual plan participants;
B. Proceeds of debt issuance shall be invested in accordance with the Authority's general investment philosophy as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures; and
C. Any other funds specifically exempted by the Authority's Board.

Pooling of Funds: Except for cash in certain restricted and special funds, the Authority will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. GENERAL OBJECTIVES

All investment management decisions and activities must assure ongoing compliance with all Federal, State and local laws governing the investment of moneys under the control of the YCPARMIA Board. The primary objectives, in priority order, of the Authority's investment activities shall be:

A. *Safety:* Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
B. *Liquidity:* The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
C. *Return:* The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

IV. PRUDENCE, INDEMNIFICATION AND ETHICS

A. *Prudent Investor Standard:* Management of the Authority's investments is governed by the Prudent Investor Standard as set forth in the California Government Code 53600.3:

> *"…all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."*

B. *Indemnification:* The CEO and other authorized persons responsible for managing Authority funds, acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

C. *Ethics:* Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Chief Executive Officer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority.

V. DELEGATION OF AUTHORITY

A. Authority to manage the Authority's investment program is derived from California Government Code Sections 53600 et seq., and Article 18 of the Authority's JPA Agreement. The YCPARMIA Board is responsible for the Authority's cash management, including the administration of this Investment Policy. Management responsibility for the cash management of Authority's funds is hereby delegated to the CEO.

   The CEO shall establish written procedures for the operation of the cash management/investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CEO. The CEO shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees.

B. The Authority may engage the services of one or more external investment managers to assist in the management of the Authority's investment portfolio in a manner consistent with the Authority's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES AND BROKER/DEALERS

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence described in the Investment Procedures Manual. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The Authority CEO shall determine which financial institutions are authorized to provide investment services to Authority. Institutions eligible to transact investment business with Authority include:

    1. Primary government dealers as designated by the Federal Reserve Bank;
    2. Nationally or state-chartered banks;
    3. The Federal Reserve Bank; and
    4. Direct issuers of securities eligible for purchase.

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the Authority shall be at the sole discretion of the Authority.

C. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the CEO with a statement certifying that the institution has reviewed the California Government Code Section 53600 et seq. and the Authority's Investment Policy.

D. Selection of broker/dealers used by an external investment adviser retained by the Authority shall be at the sole discretion of the investment adviser.

E. Public deposits shall be made only in qualified public depositories as established by State law. Deposits shall be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, shall be collateralized in accordance with State law.

F. An annual review of the financial condition and registrations of qualified financial dealers and institutions will be conducted by the Authority. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Authority invests.

VII. COLLATERALIZATION

Certificates of Deposit (CDs). The Authority shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Repurchase Agreements. The Authority requires that Repurchase Agreements be collateralized only by securities authorized in accordance with California Government Code:

- The securities which collateralize the repurchase agreement shall be priced at Market Value, including any Accrued Interest plus a margin. The Market Value of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.
- Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
- The Authority shall receive monthly statements of collateral.

Collateralization of Bank Deposits. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. The Agency shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

VIII. DELIVERY, SAFEKEEPING AND CUSTODY

DELIVERY-VERSUS-PAYMENT (DVP). Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.

SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in the Authority's portfolio shall be held in safekeeping in the Authority's name by a third-party custodian, acting as agent for the Authority under the terms of a custody agreement executed by the bank and the Authority. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the Authority from the custodian listing all securities held in safekeeping with current market data and other information.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money mutual funds, since the purchased securities are not deliverable.

IX. AUTHORIZED AND SUITABLE INVESTMENTS

All investments shall be made in accordance with Sections 53600 et seq. of the Government Code of California and as described within this Investment Policy. Within the investments permitted by the Code, the Authority seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Code, the more restrictive parameters will take precedence. Percentage holding limits and minimum credit quality listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy.

An appropriate risk level shall be maintained by primarily purchasing securities that are of high quality, liquid, and marketable. The portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual issuers.

Permitted investments under this policy shall include:

1. **U.S. Treasury** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the Authority may invest in U.S. Treasuries.
    - The maximum maturity is five (5) years.

2. **Federal Agency** or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the Authority may invest in government-sponsored enterprises, provided that:
    - No more than 25% of the portfolio may be invested in any single Agency/GSE issuer.
    - The maximum maturity does not exceed five (5) years.
    - The maximum percent of agency callable securities in the portfolio will be 20%.

3. **Banker's acceptances** provided that:
    - They are issued by institutions with short term debt obligations rated "A1" or higher, or the equivalent, by at least one nationally recognized statistical-rating organization (NRSRO); and have long-term debt obligations which are rated in a rating category of "A" or its equivalent or higher by at least two nationally recognized statistical rating organization;
    - The maturity does not exceed 180 days; and,

- No more than 40% of the total portfolio may be invested in banker's acceptances and no more than 5% per issuer.

4. **Federally insured time deposits** (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:
    - No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
    - The amount per is limited to the maximum covered under federal insurance; and,
    - The maturity of such deposits does not exceed 5 years.

5. **Time deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:
    - No more than 20% of the portfolio shall be invested in a combination of federally insured and collateralized time deposits;
    - The maturity of such deposits does not exceed 5 years.

6. **Negotiable certificates of deposit (NCDs)** issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:
    - The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
    - Any amount above the FDIC insured limit must be issued by institutions which have long-term obligations which are rated in a rating category of "A" or its equivalent or higher by at least one nationally recognized statistical rating organization; or have short term debt obligations rated "A-1" or higher, or the equivalent, by at least one nationally recognized statistical rating organization;
    - The maturity does not exceed five years; and,
    - No more than 30% of the total portfolio may be invested in NCDs and no more than 5% per issuer.

7. **Repurchase agreements** collateralized with securities authorized under Sections III (A1-2) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:
    - The maximum maturity of repurchase agreements shall be 1 year;
    - There is no limit to the amount to be invested in repurchase agreements;
    - Securities used as collateral for repurchase agreements shall be delivered to the Authority's custodian bank (See Section II E); and,
    - The repurchase agreements are the subject of a master repurchase agreement between the Authority and the provider of the repurchase agreement. The master repurchase agreement shall be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).

8. **Commercial paper** provided that:
    - The maturity does not exceed 270 days from the date of purchase;
    - The issuer is a corporation organized and operating in the United States with assets in excess of $500 million;
    - They are issued by institutions whose short-term obligations are rated "A-1" or higher, or the equivalent, by at least one nationally recognized statistical rating organization; and whose long-term obligations are rated in the rating category of "A" or its equivalent or higher by at least one nationally recognized statistical rating organizations; and,
    - No more than 25% of the portfolio is invested in commercial paper and no more than 5% per issuer.
    - The Authority may purchase no more than 10% of the outstanding commercial paper of any single issuer

9. **State of California Local Agency Investment Fund (LAIF)**, provided that:
   - The Authority may invest up to the maximum permitted amount in LAIF;
   - LAIF's investments in instruments prohibited by or not specified in the Authority's policy do not exclude it from the Authority's list of allowable investments, provided that the fund's reports allow the CEO to adequately judge the risk inherent in LAIF's portfolio.

10. **Corporate medium-term notes (MTNs)** provided that:
    - Such notes have a maximum remaining maturity of five years;
    - Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States;
    - Shall be rated "A" category or its equivalent or better by at least one nationally recognized statistical rating organizations; and,
    - Holdings of medium-term notes may not exceed 30% of the portfolio and no more than 5% per issuer.

11. **Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations** from issuers not defined in Sections 1 and 2 of the Authorized and Suitable Investments section of this policy, provided that:
    - The securities are rated in a rating category of "AA" or higher by a nationally recognized statistical rating organization.
    - No more than 20% of the total portfolio may be invested in these securities.
    - No more than 5% of the portfolio may be invested in any Asset-Backed or Commercial Mortgage security issuer. The maximum legal final maturity does not exceed 5 years

12. **Money market mutual funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940:
    a. Provided that such funds meet either of the following criteria:
       i. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations; or,
       ii. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of $500 million.
    b. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio.
    c. No more than 10% of the portfolio may be invested in any Fund.

13. **Supranationals** provided that:
    - Issues are unsubordinated obligations issued by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
    - The securities are rated "AA" or higher by a nationally recognized statistical rating organization.
    - No more than 30% of the total portfolio may be invested in these securities.
    - No more than 10% of the portfolio per issuer
    - The maximum maturity does not exceed 5 years.

14. **Municipal Securities** include obligations of the Authority, the State of California and any local agency within the State of California, provided that:
    - The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
    - No more than 5% of the portfolio may be invested in any single issuer.
    - No more than 30% of the portfolio may be in Municipal Securities.
    - The maximum maturity does not exceed five (5) years.

15. **Municipal Securities (Registered Treasury Notes or Bonds)** of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property

owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California:

- The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”).
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

X.MAXIMUM MATURITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities.

The Authority will not invest in securities maturing more than five years from the date of trade settlement, unless the Board has by resolution granted authority to make such an investment at least three months before the initial investment.

XI. INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of the pool/mutual fund is required prior to investing, and on a continual basis. The Authority shall develop a due diligence process which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

XII. RISK MANAGEMENT AND DIVERSIFICATION

MITIGATING CREDIT RISK IN THE PORTFOLIO

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the “Authorized Investments” section of this policy is designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be invested in securities of any single issuer per each category in Section IX of this policy, unless otherwise specified in this policy.

- The Authority may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or Authority’s risk preferences.

- If the credit ratings of any security owned by the Authority are downgraded to a level below the quality required by this investment policy, the CEO will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.

- If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the Authority Board.

MITIGATING MARKET RISK IN THE PORTFOLIO

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Authority recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The Authority will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The Authority further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Authority, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- The Authority will maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.

- The maximum percent of callable securities (does not include "make whole call" securities as defined in the Glossary) in the portfolio will be 15%.

- The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy.

- The duration of the portfolio will at all times be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by the Authority based on the Authority's investment objectives, constraints and risk tolerances.

XIII. RETURN OBJECTIVES

A. **Overall objective:** The investment portfolio shall be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

B. **Specific objective:** The investment performance objective for the portfolio shall be to earn a total rate of return over a market cycle which is approximately equal to the return on the Market Benchmark Index as described in the Authority's *Investment Procedures Manual.*

XIV. PROCEDURES AND INTERNAL CONTROLS

A. *Procedures*

The CEO shall establish written investment policy procedures in an *Investment Procedures Manual* to assist investment staff with day-to-day operations of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CEO. The procedures should include reference to:

1. Review of daily cash balances;
2. Process for selecting investments;
3. Steps for purchasing an investment;
4. Settlement and safekeeping process;
5. Wire transfer agreements;

6. Banking service contracts; and,
7. Collateral/depository agreements.

B. *Internal Controls*
The CEO is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Internal controls shall be in writing and shall address the following points:

1. Control of collusion;
2. Separation of transaction authority from accounting and record keeping;
3. Third-party safekeeping of assets;
4. Clear delegation of authority to subordinate staff members;
5. Staff training;
6. Dual authorizations of wire transfers; and,
7. Written confirmation of telephone transactions for investments and wire transfers.

XV. PROHIBITED INVESTMENT VEHICLES AND PRACTICES

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.

XVI. PERFOMANCE EVALUATION

The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the Authority's risk constraints, the cash flow characteristics of the portfolio, and state and local laws, ordinances or resolutions that restrict investments.

The CEO shall monitor and evaluate the portfolio's performance relative to market benchmark, which will be included in the quarterly report. The CEO shall select an appropriate, readily available index to use as a market benchmark.

XVII. REPORTING, DISCLOSURE AND PROGRAM EVALUATION

A. Monthly reports
Monthly investment reports shall be submitted by the CEO to the YCPARMIA Board. These reports shall disclose, at a minimum, the following information about the risk characteristics of the Authority's portfolio:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest value;
2. A one-page summary report which shows:
    a. Average maturity of the portfolio and modified duration of the portfolio;
    b. Maturity distribution of the portfolio;
    c. Average portfolio credit quality; and,
    d. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year to date, and since inception compared to the Benchmark Index returns for the same periods;
3. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and,
4. A statement that the Authority has adequate funds to meet its cash flow requirements for the next six months.

B. Annual reports

1. The investment policy shall be reviewed and adopted at least annually within 120 days of the end of the fiscal year to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.
2. A comprehensive annual report shall be presented in conjunction with the investment policy review. This report shall include comparisons of Authority's return to the Benchmark Index return, shall suggest policies and improvements that might enhance the investment program, and shall include an investment plan for the coming year.

C. Annual Audit

The CEO shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

D. Special audits

The YCPARMIA Board may at any time order an audit of the investment portfolio and/or the CEO's investment practices.

APPENDIX I

Authorized Personnel

The following person(s) are authorized to transact investment business and wire funds for investment purposes on behalf of the YCPARMIA:

Armond Sarkis, CEO/Risk Manager

Holly Lyon, Financial Analyst

APPENDIX II

Approved Brokers/Dealers

The following broker(s)/dealer(s) have been approved by the YCPARMIA:

Intentionally left blank

APPENDIX III

Approved Depositories and Custodian Banks

The following depositories have been approved by the YCPARMIA:

Intentionally left blank

APPENDIX IV

GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

- **FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- **FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- **FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.
- **FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.
- **GNMA.** The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- **PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- **TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund opens to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100-basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Adopted: 03/23/1990
Reviewed: 10/22/1997
Reviewed: 10/27/1999
Reviewed: 12/13/2000
Reviewed: 12/14/2001
Reviewed: 12/10/2004
Reviewed: 06/23/2006
Revised: 05/27/2010
Revised: 10/12/2017
Revised: 03/28/2018
Revised: 03/14/2019

FIXED ASSETS DEPRECIATION SCHEDULE

FIXED ASSET DEPRECIATION SCHEDULE

As of June 30, 2019

DESCRIPTION	DATE OF PURCHASE	INTIAL COST	ESTIMATED LIFE (YEARS)	DEPRECIATION AS OF 6/30/18	DEPRECIATION FY18/19	TOTAL DEPRECIATION AS OF 6/30/19
Heater	04/02/10	$ 3,585.00	10	$ 3,226.50	$ 358.50	$ 3,585.00
Fire King 4-drawer	09/19/11	$ 2,236.99	10	$ 1,565.89	$ 223.70	$ 1,789.59
Dell Server	03/13/12	$ 4,207.12	5	$ 4,207.12	$ -	$ 4,207.12
Refrigerator	07/17/12	$ 615.79	10	$ 369.47	$ 61.58	$ 431.05
Dell Computer (AA-CG)	07/24/12	$ 1,101.96	5	$ 1,101.96	$ -	$ 1,101.96
Dell Laptop	08/28/12	$ 1,360.25	5	$ 1,360.25	$ -	$ 1,360.25
Dell Computer (Staff Investigator)	04/24/13	$ 1,434.70	5	$ 1,434.70	$ -	$ 1,434.70
Dell Computer (Nurse)	07/31/13	$ 1,562.84	5	$ 1,562.84	$ -	$ 1,562.84
Desk/work station (Nurse)	09/06/13	$ 1,486.29	10	$ 743.15	$ 148.63	$ 891.77
Dell Computer (LPA)	02/15/15	$ 1,591.46	5	$ 1,273.17	$ 318.29	$ 1,591.46
Desk/work station (AA-RD)	07/31/15	$ 1,289.68	10	$ 386.90	$ 128.97	$ 515.87
CIX 40 4x8 phone system	08/19/15	$ 4,227.00	10	$ 1,268.10	$ 422.70	$ 1,690.80
Desk/work station (LPA)	06/27/16	$ 1,435.35	10	$ 430.61	$ 143.54	$ 574.14
Dell computer (CEO)	07/06/16	$ 1,253.09	5	$ 501.24	$ 250.62	$ 751.85
Dell computer (FA)	07/06/16	$ 1,253.09	5	$ 501.24	$ 250.62	$ 751.85
Chairs	10/14/16	$ 1,005.64	5	$ 402.26	$ 201.13	$ 603.38
Lenovo Laptop (LPA)	05/31/17	$ 881.83	5	$ 352.73	$ 176.37	$ 529.10
Dell Laptop (CEO)	05/17/18	$ 2,078.06	5	$ 415.61	$ 415.61	$ 831.22
Dell Laptop (Staff Investigator)	05/17/18	$ 1,882.39	5	$ 376.48	$ 376.48	$ 752.96
Dell Laptop (FA)	06/12/18	$ 1,488.53	5	$ 297.71	$ 297.71	$ 595.41
Dell Laptop (Nurse)	06/12/18	$ 1,557.21	5	$ 311.44	$ 311.44	$ 622.88
Dell Laptop (AA-CG)	07/11/18	$ 1,664.60	5	$ -	$ 332.92	$ 332.92
Dell Laptop (AA-RD)	07/12/18	$ 1,536.96	5	$ -	$ 307.39	$ 307.39
TOTAL		**$ 88,230.59**		**$ 69,584.12**	**$ 4,726.18**	**$ 74,310.30**

DEPRECIATION

Beginning balance as of 6/30/18	$ 193,569.94
Current year depreciation expenses	$ 4,726.18
Less: retired fixed assets	$ (123,985.82)
Subtotal	**$ 74,310.30**

DESCRIPTION	DATE OF PURCHASE	INTIAL COST	ESTIMATED LIFE (YEARS)	DEPRECIATION AS OF 6/30/18	DEPRECIATION FY18/19	TOTAL DEPRECIATION AS OF 6/30/19
Building Improvements	09/13/05	$ 12,305.00	30	$ 5,332.17	$ 410.17	$ 5,742.33

Beginning balance as of 6/30/18	$ 361,962.69
Current year depreciation expenses	$ 410.17
Subtotal	**$ 362,372.85**

Total Accumulated Depreciation as of 6/30/19	**$ 436,683.15**
Total Depreciation Expense	$ 5,136.35

FIXED ASSET DEPRECIATION SCHEDULE (continued)

	Fiscal Year 2018-2019		Fiscal Year 2017-2018	
Non-Depreciable Capital Assets				
Land		$ 93,005		$ 93,005
Depreciable Capital Assets				
Building	$ 356,631		$ 356,631	
less accumulated depreciation	$(356,631)	$ -	$(356,631)	$ -
Improvements other than buildings	$ -		$ -	
less accumulated depreciation	$ (5,742)	$ (5,742)	$ (5,332)	$ (5,332)
Furniture and Equipment	$ 209,015		$ 202,009	
Additions	$ 3,202		$ 7,006	
Deletions/Retirements	$(123,986)		$ -	
less accumulated depreciation	$ (74,310)	$ 13,920	$(193,570)	$ 15,445
Total		$ 101,183		$ 103,118
Accounting adjustments for prior years mis-recorded				
Accumulated depreciation	$ 5,742		$ -	
less Improvements other than buildings	$ -	$ 5,742	$ -	$ -
Adjusted Total		**$ 106,925**		**$ 103,118**

ACTUARIAL REPORT OF OTHER POST EMPLOYMENT BENEFITS LIABILITIES

GASB Statement No. 75

MacLeod Watts

August 8, 2019

Holly Lyon
Financial Analyst
Yolo County Public Agency Risk Management Insurance Authority
77 West Lincoln Avenue
Woodland, CA 95695

Re: Yolo County Public Agency Risk Management Insurance Authority Other Post-Employment Benefits GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2019

Dear Ms. Lyon:

We are pleased to enclose our report providing actuarial information regarding the other post-employment benefit (OPEB) liabilities of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA). The report's text describes our analysis and assumptions in detail. The results presented are based on the results of an actuarial valuation prepared as of June 30, 2017.

The primary purpose of this report is to provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in YCPARMIA's financial statements for the fiscal year ending June 30, 2019. The information included in this report reflects the assumption that YCPARMIA will continue financing its OPEB liability on a pay-as-you-go basis. Please let us know if we can be of assistance in preparing illustrations of how prefunding impacts the OPEB liability required to be reported under GASB 75.

The only change reflected in this report relative to the report for the fiscal year ended June 30, 2018 is an update to the discount rate, in keeping with the change in the applicable municipal bond index on which it is based. YCPARMIA provided information on retiree benefit payments and total covered employee payroll for the current fiscal year. As with any analysis, the soundness of the report is dependent on the inputs. Please review the information shown in the report to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of YCPARMIA employees who provided valuable time and information to enable us to prepare this report. Please let us know if we can be of further assistance.

Sincerely,

J. Kevin Watts, FSA, FCA, MAAA
Principal & Consulting Actuary

Enclosure

Yolo County Public Agency Risk Management Insurance Authority

GASB 75 Actuarial Report

Measured as of June 30, 2018

For Fiscal Year End June 30, 2019 Financial Reporting

Submitted August 2019

MacLeod Watts

Table of Contents

A. Executive Summary 1
OPEB Obligations of YCPARMIA 1
YCPARMIA Funding Policy 1
Actuarial Assumptions 2
Important Dates Used in the Valuation 2
Significant Results and Differences from the Prior Valuation 2
Impact on Statement of Net Position and OPEB Expense for Fiscal 2019 2
Recognition Period for Deferred Resources 3
Important Notices 3
B. Accounting Information (GASB 75) 4
Components of Net Position and Expense 4
Change in Net Position During the Fiscal Year 5
Deferred Resources as of Fiscal Year End and Expected Future Recognition 6
Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate 7
Schedule of Changes in YCPARMIA's Net OPEB Liability and Related Ratios 8
Detail of Changes to Net Position 9
Schedule of Deferred Outflows and Inflows of Resources 10
YCPARMIA Contributions to the Plan 11
Projected Benefit Payments (15-year projection) 12
Sample Journal Entries 13
C. Funding Information 14
D. Certification 15
E. Supporting Information 16
Section 1 - Summary of Employee Data 16
Section 2A - Summary of Retiree Benefit Provisions 17
Section 2B - Excise Taxes for High Cost Retiree Coverage 18
Section 3 - Actuarial Methods and Assumptions 19
Addendum 1: Important Background Information 22
Important Dates 24
Recognition of Plan Changes and Gains and Losses 24
Addendum 2: MacLeod Watts Age Rating Methodology 27
Addendum 3: MacLeod Watts Mortality Projection Methodology 28
Glossary 29

A. Executive Summary

This report presents actuarial information regarding the other post-employment benefit (OPEB) program of the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA). The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2019.

Important background information regarding the valuation process can be found in Addendum 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this executive summary discuss the valuation results in detail and present various exhibits appropriate for disclosures under GASB 75. We anticipate that an updated valuation will be needed prior to developing this information for YCPARMIA's fiscal year ending June 30, 2020.

OPEB Obligations of YCPARMIA

YCPARMIA provides continuation of medical and dental insurance coverage to its retiring employees. This benefit creates the following types of OPEB liabilities:

- **Explicit subsidy liabilities**: An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, YCPARMIA pays a portion of retiree medical, dental and vision premiums for qualifying retirees. These benefits are described in Supporting Information, Section 2A.

  The Patient Protection and Affordable Care Act (ACA) includes a 40% excise tax on high-cost employer-sponsored health coverage. Any portion of such future excise tax paid by the employer is also a form of explicit subsidy. See Supporting Information Section 2B and Section 3 for further description and assumptions about this potential excise tax.

- **Implicit subsidy liabilities**: An "implicit subsidy" exists when the premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In YCPARMIA's program, the claims experience of active employees and pre-Medicare retirees is co-mingled in setting premium rates for the plans in which YCPARMIA employees and retirees participate. We believe an implicit subsidy of retiree premiums exists with respect to the medical insurance plans because we expect retiree claims to exceed retiree premiums.

  We determine the implicit rate subsidy for pre-Medicare retirees as the projected difference between (a) retiree medical claim costs by age and (b) premiums charged for retiree coverage. For more information on this process see Section 3 and Addendum 2: MacLeod Watts Age Rating Methodology.

YCPARMIA Funding Policy

YCPARMIA's funding policy affects the calculation of liabilities by impacting the discount rate used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits

Executive Summary
(Continued)

when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

Our understanding is that YCPARMIA is currently financing its OPEB liability on a pay-as-you-go basis. With YCPARMIA's approval, the discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 3.13% as of June 30, 2017 and 2.98% as of June 30, 2018.

Actuarial Assumptions

The actuarial "demographic" assumptions (i.e. rates of retirement, death, disability or other termination of employment) used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering YCPARMIA employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits. Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population of plan participants until the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

Important Dates Used in the Valuation

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	June 30, 2019
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018
Valuation Date	June 30, 2017

Significant Results and Differences from the Prior Valuation

No benefit changes were reported to MacLeod Watts from those in place at the time the June 2017 valuation was prepared. No plan experience was recognized, and no assumptions were changed, other than an update to the discount rate to reflect the applicable municipal bond rate as of the current measurement date.

Executive Summary
(Concluded)

Impact on Statement of Net Position and OPEB Expense for Fiscal 2019

We understand that YCPARMIA intends to implement GASB 75 for the first time for the fiscal year ending June 30, 2019. The accounting impact of the plan as of YCPARMIA's fiscal year end June 30, 2019 is shown below.

Items	For Reporting At Fiscal Year Ending June 30, 2019
Total OPEB Liability	$ 893,130
Fiduciary Net Position	-
Net OPEB Liability (Asset)	893,130
Deferred (Outflows) of Resources	(46,171)
Deferred Inflows of Resources	30,973
Impact on Statement of Net Position	$ 877,932
OPEB Expense, FYE 6/30/2019	$ 59,613

Recognition Period for Deferred Resources

Liability changes due to plan experience which differs from what was assumed in the prior year and/or from assumption changes during the year are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL period is 5.26 years for deferred resources arising in this fiscal year. Changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years. Liability changes attributable to benefit changes occurring during the period are recognized immediately.

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for YCPARMIA's financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. YCPARMIA should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend YCPARMIA consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

B. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year end June 30, 2019. YCPARMIA is classified for GASB 75 purposes as a single employer.

Components of Net Position and Expense

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information for FYE June 30, 2019 *Measurement Date is June 30, 2018*		**YCPARMIA**
Items Impacting Net Position:		
Total OPEB Liability	$	893,130
Fiduciary Net Position		-
Net OPEB Liability (Asset)		893,130
Deferred (Outflows) Inflows of Resources Due to:		
Assumption Changes		17,284
Plan Experience		-
Investment Experience		-
Deferred Contributions		(32,482)
Net Deferred (Outflows) Inflows of Resources		(15,198)
Impact on Statement of Net Position, FYE 6/30/2019	**$**	**877,932**
Items Impacting OPEB Expense:		
Service Cost	$	38,796
Cost of Plan Changes		-
Interest Cost		27,105
Expected Earnings on Assets		-
Recognized Deferred Resource items:		
Assumption Changes		(6,288)
Plan Experience		-
Investment Experience		-
OPEB Expense, FYE 6/30/2019	**$**	**59,613**

Accounting Information
(Continued)

Change in Net Position During the Fiscal Year

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End *Measurement Date*		**6/30/2018** *6/30/2017*		**6/30/2019** *6/30/2018*		**Change During Period**
Total OPEB Liability	$	844,036	$	893,130	$	49,094
Fiduciary Net Position		-		-		-
Net OPEB Liability (Asset)		844,036		893,130		49,094
Deferred Resource (Outflows) Inflows Due to:						
Assumption Changes		40,474		17,284		(23,190)
Plan Experience		-		-		-
Investment Experience		-		-		-
Deferred Contributions		(33,709)		(32,482)		1,227
Net Deferred (Outflows) Inflows		6,765		(15,198)		(21,963)
Impact on Statement of Net Position	$	850,801	$	877,932	$	27,131

Change in Net Position During the Fiscal Year		
Impact on Statement of Net Position, FYE 6/30/2018	$	850,801
OPEB Expense (Income)		59,613
Employer Contributions During Fiscal Year		(32,482)
Impact on Statement of Net Position, FYE 6/30/2019	$	877,932

OPEB Expense		
Employer Contributions During Fiscal Year	$	32,482
Deterioration (Improvement) in Net Position		27,131
OPEB Expense (Income), FYE 6/30/2019	$	59,613

Accounting Information
(Continued)

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year end June 30, 2019.

YCPARMIA	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 13,689	$ 30,973
Differences Between Expected and Actual Experience	-	-
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	32,482	-
Total	$ 46,171	$ 30,973

YCPARMIA will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2020	$ (6,288)
2021	(6,288)
2022	(6,288)
2023	743
2024	837
Thereafter	-

Accounting Information
(Continued)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year end 2019 is 2.98%. Healthcare cost trend rate was assumed to start at 8.0% (effective January 1, 2019) and grade down to 5% for years 2025 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	**Current - 1% 1.98%**	**Current 2.98%**	**Current + 1% 3.98%**
Total OPEB Liability	1,018,277	893,130	790,898
Increase (Decrease)	125,147		(102,232)
% Increase (Decrease)	14.0%		-11.4%
Net OPEB Liability (Asset)	1,018,277	893,130	790,898
Increase (Decrease)	125,147		(102,232)
% Increase (Decrease)	14.0%		-11.4%
Change in Heathcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Total OPEB Liability	826,145	893,130	1,021,741
Increase (Decrease)	(66,985)		128,611
% Increase (Decrease)	-7.5%		14.4%
Net OPEB Liability (Asset)	826,145	893,130	1,021,741
Increase (Decrease)	(66,985)		128,611
% Increase (Decrease)	-7.5%		14.4%

Accounting Information
(Continued)

Schedule of Changes in YCPARMIA's Net OPEB Liability and Related Ratios

GASB 75 requires, ultimately, presentation of the 10-year history of changes in the Net OPEB Liability. Results for fiscal years 2018 and 2019 are shown in the following table.

Fiscal Year Ending	2019	2018
Measurement Date	6/30/2018	6/30/2017
Discount Rate on Measurement Date	2.98%	3.13%
Total OPEB liability		
Service Cost	$ 38,796	$ 41,413
Interest	27,105	23,658
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	16,902	(49,975)
Benefit payments	(33,709)	(24,820)
Net change in total OPEB liability	49,094	(9,724)
Total OPEB liability - beginning	844,036	853,760
Total OPEB liability - ending (a)	$ 893,130	$ 844,036
Plan fiduciary net position		
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	$ -	$ -
Net OPEB liability - ending (a) - (b)	$ 893,130	$ 844,036
Covered-employee payroll	$ 612,506	$ 624,304
Net OPEB liability as a percentage of covered-employee payroll	145.82%	135.20%

Methods and assumptions:

Valuation Date	6/30/2017	6/30/2017
Actuarial cost method	EAN	EAN
Inflation	2.75%	2.75%
Healthcare cost trend rates	8% in 2019 to 5%, step 0.5%	8% in 2019 to 5%, step 0.5%
Salary increases	3.25%	3.25%
Retirement age	50-75	50-75
Mortality	CalPERS 2014	CalPERS 2014
Mortality Improvement	MW Scale 2017 generationally	MW Scale 2017 generationally

Accounting Information
(Continued)

Detail of Changes to Net Position

The chart below details changes to all components of Net Position.

YCPARMIA	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows (Inflows) Due to:				Impact on Statement of Net Position (e) = (c) - (d)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	
Balance at Fiscal Year Ending 6/30/2018 *Measurement Date 6/30/2017*	$ 844,036	$ -	$ 844,036	$ (40,474)	$ -	$ -	$ 33,709	$ 850,801
Changes During the Period:								
Service Cost	38,796		38,796					38,796
Interest Cost	27,105		27,105					27,105
Expected Investment Income		-	-					-
Employer Contributions		33,709	(33,709)					(33,709)
Changes of Benefit Terms	-		-					-
Benefit Payments	(33,709)	(33,709)	-					-
Assumption Changes	16,902		16,902	16,902				-
Plan Experience	-		-		-			-
Investment Experience		-	-			-		-
Recognized Deferred Resources				6,288	-	-	(33,709)	27,421
Employer Contributions in Fiscal Year							32,482	(32,482)
Net Changes in Fiscal Year 2018-2019	49,094	-	49,094	23,190	-	-	(1,227)	27,131
Balance at Fiscal Year Ending 6/30/2019 *Measurement Date 6/30/2018*	$ 893,130	$ -	$ 893,130	$ (17,284)	$ -	$ -	$ 32,482	$ 877,932

Accounting Information
(Continued)

Schedule of Deferred Outflows and Inflows of Resources

A listing of all deferred resource bases used to develop the Net Position and Pension Expense is shown below. Deferred Contributions are not shown.

Measurement Date: June 30, 2018

Deferred Resource						Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:						
Date Created	Cause	Initial Amount	Period (Yrs)	Annual Recognition	Balance as of Jun 30, 2018	2017-18 (FYE 2019)	2018-19 (FYE 2020)	2019-20 (FYE 2021)	2020-21 (FYE 2022)	2021-22 (FYE 2023)	2022-23 (FYE 2024)	Thereafter
6/30/2017	Gain Due To Assumption Changes	$ (49,975)	5.26	$ (9,501)	$ (30,973)	$ (9,501)	$ (9,501)	$ (9,501)	$ (9,501)	$ (2,470)	$ -	$ -
6/30/2018	Loss Due To Assumption Changes	16,902	5.26	3,213	13,689	3,213	3,213	3,213	3,213	3,213	837	-

Accounting Information
(Continued)

YCPARMIA Contributions to the Plan

YCPARMIA contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). For details, see Addendum 1 – Important Background Information.

Benefits paid by YCPARMIA during the measurement period are shown below.

Employer Contributions During the Measurement Period, Jul 1, 2017 thru Jun 30, 2018		**YCPARMIA**
Employer Contributions to the Trust	$	-
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)		23,585
Implicit contributions		10,124
Total Employer Contributions During the Measurement Period	$	33,709

Employer Contributions During the Fiscal Year, Jul 1, 2018 thru Jun 30, 2019		**YCPARMIA**
Employer Contributions to the Trust	$	-
Employer Contributions in the Form of Direct Benefit Payments (not reimbursed by trust)		23,132
Implicit contributions		9,350
Total Employer Contributions During the Fiscal Year	$	32,482

Accounting Information
(Continued)

Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from YCPARMIA. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2018	$ 23,585	$ -	$ 23,585	$ 10,124	$ -	$ 10,124	$ 33,709
2019	23,132	-	23,132	9,350	-	9,350	32,482
2020	29,155	4,355	33,510	10,139	1,334	11,473	44,983
2021	29,277	5,303	34,580	4,835	2,210	7,045	41,625
2022	29,374	6,173	35,547	5,515	3,515	9,030	44,577
2023	29,345	7,221	36,566	6,279	5,601	11,880	48,446
2024	29,057	8,094	37,151	7,130	8,038	15,168	52,319
2025	28,721	8,977	37,698	8,093	2,595	10,688	48,386
2026	28,327	9,851	38,178	9,190	1,920	11,110	49,288
2027	27,876	10,488	38,364	10,420	2,853	13,273	51,637
2028	27,366	11,313	38,679	11,786	4,768	16,554	55,233
2029	26,792	12,062	38,854	-	3,165	3,165	42,019
2030	26,155	12,726	38,881	-	5,066	5,066	43,947
2031	25,455	13,488	38,943	-	8,098	8,098	47,041
2032	24,689	14,579	39,268	-	13,967	13,967	53,235

The amounts shown in the Explicit Subsidy section reflect the expected payment by YCPARMIA toward retiree medical and dental premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

The amounts shown in the Implicit Subsidy section reflect the expected excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.

Accounting Information

(Concluded)

Sample Journal Entries

Beginning Account Balances As of the fiscal year beginning 7/1/2018	Debit	Credit
Net OPEB Liability		844,036
Deferred Resource -- Assumption Changes		40,474
Deferred Resource -- Plan experience	-	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions	33,709	
Net Position	850,801	

** The entries above assume nothing is on the books at the beginning of the year. So to the extent that values already exist in, for example, the Net OPEB Liability account, then only the difference should be adjusted. The entries above represent the values assumed to exist at the start of the fiscal year.*

Journal entry to recharacterize retiree benefit payments not reimbursed by a trust, and record cash contributions to the trust during the fiscal year	Debit	Credit
OPEB Expense	23,132	
Premium Expense		23,132
OPEB Expense	-	
Cash		-

** This entry assumes a prior journal entry was made to record the payment for retiree premiums. This entry assumes the prior entry debited an account called "Premium Expense" and credited Cash. This entry reverses the prior debit to "Premium Expense" and recharacterizes that entry as an "OPEB Expense". Also, the entry for cash contributions to the trust is shown.*

Journal entries to record implicit subsidies during the fiscal year	Debit	Credit
OPEB Expense	9,350	
Premium Expense		9,350

** This entry assumes that premiums for active employees were recorded to an account called "Premium Expense". This entry reverses the portion of premium payments that represent implicit subsidies and assigns that value to OPEB Expense.*

Journal entries to record other account activity during the fiscal year	Debit	Credit
Net OPEB Liability		49,094
Deferred Resource -- Assumption Changes	23,190	
Deferred Resource -- Plan experience	-	
Deferred Resource -- Investment Experience	-	
Deferred Resource -- Contributions		1,227
OPEB Expense	27,131	

C. Funding Information

Our understanding is that YCPARMIA is currently financing its OPEB liability on a pay-as-you-go basis. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes.

Should YCPARMIA wish to explore potential future prefunding for this plan we can prepare illustrations of various funding levels and, if appropriate, perform a formal funding valuation at that time. Results under a funding scenario may be materially different from the results presented in this report.

D. Certification

The purpose of this report is to provide actuarial information in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits provided by the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA). We summarized the benefits in this report and our calculations were based on our understanding of the benefits as described herein.

In preparing this report we relied without audit on information provided by YCPARMIA. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75. Plan results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report is prepared solely for the use and benefit of YCPARMIA and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions are: YCPARMIA may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and YCPARMIA may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. Both actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: August 8, 2019

J. Kevin Watts, FSA, FCA, MAAA	Catherine L. MacLeod, FSA, FCA, EA, MAAA

E. Supporting Information

Section 1 - Summary of Employee Data

YCPARMIA reported 7 active employees; of these, 6 are currently enrolled in a medical plan through YCPARMIA while 1 is currently waiving coverage through YCPARMIA. Age and service information for the included individuals is provided below:

Distribution of Benefits-Eligible Active Employees

Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25							0	0%
25 to 29		1					1	14%
30 to 34	1						1	14%
35 to 39							0	0%
40 to 44					1		1	14%
45 to 49		1					1	14%
50 to 54							0	0%
55 to 59	1		1				2	29%
60 to 64						1	1	14%
65 to 69							0	0%
70 & Up							0	0%
Total	2	2	1	0	1	1	**7**	**100%**
Percent	29%	29%	14%	0%	14%	14%	**100%**	

Valuation	July 2015	June 2017
Annual Covered Payroll	$572,000	$651,214
Average Attained Age for Actives	46.9	58.4
Average Years of Service	12.0	10.7

There are 5 retirees and 1 surviving spouse currently covered and receiving benefits under this program. One of the retirees has elected dental coverage only, while all others also have both medical coverage.

Retirees by Age

Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	0	0%
60 to 64	0	0%
65 to 69	2	33%
70 to 74	2	33%
75 to 79	2	33%
80 & up	0	0%
Total	**6**	**100%**
Average Age:		
On 6/30/2017	72.1	
At retirement	63.2	

Summary of Plan Member Counts

Number of active plan members	7
Number of inactive plan members currently receiving benefits	6
Number of inactive plan members entitled to but not receiving benefits	0*

* We are not aware of any eligible retirees not currently enrolled.

Supporting Information
(Continued)

Section 2A - Summary of Retiree Benefit Provisions

OPEB provided: YCPARMIA reported that it provides retiree medical and dental coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement benefit within 120 days of terminating employment with YCPARMIA to be eligible to continue medical coverage through the agency and be entitled to the benefits described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. *In other words, it is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not a YCPARMIA retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution*. Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Medical benefits provided: As a PEMHCA employer, YCPARMIA is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. YCPARMIA PEMHCA resolution on file with CalPERS defines YCPARMIA's contribution toward the cost of medical plan premiums for employees and retirees to be 100% of the applicable premium, but not more than $415. 25 per month, nor less than the required PEMHCA minimum employer contribution (MEC)[1]. The 2018 monthly medical premiums in the Sacramento region are shown below.

Dental benefits provided: YCPARMIA also pays 100% of the retiree dental premium which is $88 per month in 2018.

Sacramento 2018 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access+ HMO	$ 806.71	$ 1,613.42	$ 2,097.45	*Not Available*		
Kaiser HMO	703.96	1,407.92	1,830.30	$ 316.34	$ 632.68	$ 1,055.06
PERS Choice PPO	735.38	1,470.76	1,911.99	345.97	691.94	1,133.17
PERSCare PPO	797.61	1,595.22	2,073.79	382.30	764.60	1,243.17
UnitedHealthcare HMO	831.42	1,662.84	2,161.69	330.76	661.52	1,160.37
Western Health Advantage HMO	744.79	1,489.58	1,936.45	*Not Available*		

[1] It is our understanding that there is a pre-tax flexible benefit plan in place for active employees, providing health benefits in excess of the MEC and that PEMHCA does not require these additional payments be provided to retirees.

The MEC is only $133 per month in 2018, but if the $415.25 cap is never increased, the MEC is expected to surpass this cap at some point in the distant future.

Supporting Information
(Continued)

Section 2B - Excise Taxes for High Cost Retiree Coverage

The Patient Protection and Affordable Care Act (ACA) includes a 40% excise tax on high-cost employer-sponsored health coverage. The tax applies to the aggregate annual cost of an employee's applicable coverage that exceeds a dollar limit. Implementation of this tax has been delayed by subsequent legislation to 2022; while there are discussions in Congress of eliminating or again delaying the tax, this report assumes that it will take effect as current law provides.

For those current and future retirees assumed to retain coverage in YCPARMIA's medical program, we determined the excess, if any, of projected annual plan premiums for the retiree and his or her covered dependents over the projected applicable excise tax threshold beginning in 2022. The excise tax burden will ultimately fall on YCPARMIA alone, a combination of YCPARMIA and plan participants, or be entirely borne by the affected retirees. The practicalities of how the tax will be recovered by insurers will likely affect the eventual cost-sharing result.

See Section 3 for assumptions about this excise tax in the valuation. Please note that any assumptions applied in this valuation are not intended to imply any legal obligation as to YCPARMIA's current or future liability to absorb this potential tax.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets ($0; plan is not yet funded)
Discount Rate	3.13% as of June 30, 2017 2.98% as of June 30, 2018
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; a component of assumed salary increases
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008.

Mortality Improvement — MacLeod Watts Scale 2017 applied generationally from 2008.

Healthcare Trend — Medical plan premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2018	Actual	2022	6.50%
2019	8.00%	2023	6.00%
2020	7.50%	2024	5.50%
2021	7.00%	2025 & later	5.00%

PEMHCA minimum retired contribution (MEC) is assumed to increase annually by 4.5%. Dental premiums are assumed to increase by 3.0% per year.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Increase in fixed dollar benefit

We assumed the current $415.25 monthly benefit cap will remain fixed in all future years (it has not increased since 1996).

Participation Rate

Active employees: All (100%) employees who retire from YCPARMIA are assumed to elect medical coverage in retirement.

Retired participants: Existing medical plan elections are assumed to be continued until retiree's death

Spouse Coverage

Active employees and retired participants: Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Excise tax on high-cost plans

We assumed the excise tax for high cost plan coverage for retirees will go into effect in the year 2022. Annual threshold amounts under the Affordable Care Act (ACA) are shown below.

2018 Thresholds	Ages 55-64	All Other Ages
Single	11,850	10,200
Other than Single	30,950	27,500

Note: Thresholds for disability retirements are assumed to be set at a level high enough to prevent taxation on disabled retiree benefits.

Actual limits may be higher, depending on cost increases prior to the effective date. The thresholds are scheduled to increase by CPI plus 1% in 2019 and by CPI annually thereafter. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold each year. We assumed that 100% of any excise tax liability for high cost retiree coverage will be borne by YCPARMIA.

Development of Age-related Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Addendum 1 to this report.

Representative claims costs derived from the dataset provided by CalPERS for retirees is shown on the next page.

Supporting Information
(Concluded)

Section 3 - Actuarial Methods and Assumptions

Expected Monthly Claims by Medical Plan for Selected Ages					
	Male				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Sacramento	$ 781	$ 921	$ 1,069	$ 1,226	$ 1,393
HMO: Sacramento	876	1,033	1,200	1,375	1,563
Kaiser: Other Southern California	662	781	907	1,040	1,182
Kaiser: Sacramento	699	824	957	1,097	1,247
PERS Choice: Sacramento	652	769	893	1,024	1,164
PERSCare: Other Southern California	524	618	718	823	936
PERSCare: Sacramento	665	784	910	1,043	1,186
	Female				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Sacramento	968	1,063	1,143	1,236	1,362
HMO: Sacramento	1,085	1,192	1,283	1,386	1,528
Kaiser: Other Southern California	821	901	970	1,048	1,155
Kaiser: Sacramento	866	951	1,023	1,106	1,219
PERS Choice: Sacramento	808	887	955	1,032	1,138
PERSCare: Other Southern California	650	713	768	830	915
PERSCare: Sacramento	824	905	973	1,052	1,159

All current and future Medicare-eligible retirees are assumed to be covered by plans that are rated based solely on the experience of Medicare retirees. Therefore, no implicit subsidy is calculated for Medicare-eligible retirees.

Changes recognized during the current measurement period:

Discount Rate: The discount rate used to value the implicit subsidy liability was changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018, based on the published change in return for the applicable municipal bond index.

Addendum 1: Important Background Information

General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit subsidy". Upcoming excise taxes under the Affordable Care Act for retirees covered by high cost plans is another potential source of explicit subsidies.

In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an "implicit subsidy" of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

<table>
<tr><td colspan="3">Expected retiree claims</td></tr>
<tr><td colspan="2">Premium charged for retiree coverage</td><td>Covered by higher active premiums</td></tr>
<tr><td>Retiree portion of premium</td><td>Agency portion of premium
Explicit subsidy</td><td>Implicit subsidy</td></tr>
</table>

This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.

Under GASB 45, for actuarial valuations dated prior to March 31, 2015, an exception allowed plan employers with a very small membership in a large "community-rated" healthcare program to avoid reporting of implicit subsidy liability. Following a change in Actuarial Standards of Practice and in accordance with GASB 75 requirements, this exception is no longer available.

Valuation Process

The valuation was based on employee census data and benefits provided by YCPARMIA. A summary of the employee data is provided in Table 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records were reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on YCPARMIA as to its accuracy. The valuation was based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends

Important Background Information
(Continued)

in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits.
- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future premium rates;
- A change in the subsidy provided by the Agency toward retiree premiums;
- Longer life expectancies of retirees;
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Higher or lower returns on plan assets or contribution levels other than were assumed; and/or
- Changes in the discount rate used to value the OPEB liability

Important Background Information
(Continued)

Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Important Dates

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition*: Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.

Difference between projected and actual trust earnings:	5 year straight-line recognition
All other amounts:	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

Important Background Information
(Continued)

Implicit Subsidy Plan Contributions

An implicit subsidy occurs when expected retiree claims exceed the premiums charged for retiree coverage. When this occurs, we expect part of the premiums paid for active employees to cover a portion of retiree claims. This transfer represents the current year's "implicit subsidy". Because GASB 75 treats payments to an irrevocable trust *or directly to the insurer* as employer contributions, each year's implicit subsidy is treated as a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
Prior to Implicit Subsidy Adjustment		
Premiums Paid by Agency During Fiscal Year	$ 411,000	$ 48,000
Accounting Treatment	Compensation Cost for Active Employees	Contribution to Plan & Benefits Paid from Plan
After Implicit Subsidy Adjustment		
Premiums Paid by Agency During Fiscal Year	$ 411,000	$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	$ 388,000	$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

The example above shows that total payments toward active and retired employee healthcare premiums is the same, but for accounting purposes part of the total is shifted from actives to retirees. This shifted amount is recognized as an OPEB contribution and reduces the current year's premium expense for active employees.

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

Important Background Information
(Continued)

Actuarial Funding Method and Assumptions

The "ultimate real cost" of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the "incidence of cost". GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period's service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.

Addendum 2: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g. GASB 75) and actuarial standards (e.g. ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant*. For example, a claims cost curve might show that, if a 50 year old male has $1 in claims, then on average a 50 year old female has claims of $1.25, a 30 year male has claims of $0.40, and an 8 year old female has claims of $0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.

Addendum 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

(1) Short-term mortality improvement rates should be based on recent experience.
(2) Long-term mortality improvement rates should be based on expert opinion.
(3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2017** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published in October 2016 and (2) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published June 2016.

MacLeod Watts Scale 2017 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2016 which has two segments – (1) historical improvement rates for the period 1951-2012 and (2) an estimate of future mortality improvement for years 2013-2015 using the Scale MP-2016 methodology but utilizing the assumptions obtained from Scale MP-2015. The MacLeod Watts scale then transitions from the 2015 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10 year period 2016-2025. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2025-2039. The SSA's Intermediate Scale has a final step down in 2040 which is reflected in the MacLeod Watts scale for years 2040 and thereafter. Over the ages 100 to 115, the SSA improvement rate is graded to zero.

Scale MP-2016 can be found at the SOA website and the projection scales used in the 2016 Social Security Administrations Trustees Report at the Social Security Administration website.

Glossary

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Discount Rate – Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). The tax is first effective is 2022.

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

Fiduciary Net Position –The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

Glossary
(Continued)

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a 'blended' group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

OPEB Expense – The OPEB expense reported in the Agency's financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as 'belonging' to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

Total OPEB Liability (TOL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of "Actuarial Present Value"

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility