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

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Crowe LLP
Independent Member Crowe Global

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. <u>To best understand our year-end position there are three interrelated areas to consider</u>:

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

    - <u>Claims payments</u>: which came in under budget despite a few adverse claims in the workers' compensation program.
    - <u>Excess coverage costs</u>: an area of expense that is dependent on industry developments and is largely out of our control, came in under budget; and
    - <u>Unbudgeted actuarial program reserve adjustments</u>: 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.

<u>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.</u>

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
CEO/Risk Manager

October 18, 2019

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.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
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.

(Continued)

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.

(Continued)

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.

(Continued)

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

(Continued)

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.

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.

(Continued)

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.

(Continued)

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 SUPPLEMENTARY 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.

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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.

(Continued)

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