

**ALLIANCE OF SCHOOLS
FOR COOPERATIVE
INSURANCE PROGRAMS**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

(A Joint Powers Authority)

JUNE 30, 2014

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Ms. Thuy Nguyen	Alternate
Ms. Barbara Ott	Alternate
Ms. Andrea Reynolds	Alternate
Ms. Joanne Schultz	Alternate

ADMINISTRATION

Mr. Fritz Heirich	Chief Executive Officer
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ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

(A Joint Powers Authority)

JUNE 30, 2014

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Financial Section



INDEPENDENT AUDITOR'S REPORT

Governing Board
Alliance of Schools for Cooperative Insurance Programs (ASCIP)
(A Joint Powers Authority)
Cerritos, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Alliance of Schools for Cooperative Insurance Programs (ASCIP) and subsidiaries (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of ASCIP as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and claims development information and other required supplementary information listed in the table of contents on pages 39 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of the ASCIP'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 ASCIP's internal control over financial reporting and compliance.

Vavrinck, Jino, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2014



**Alliance of Schools
for Cooperative
Insurance Programs**

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Fritz J. Heirich
Chief Executive Officer

Executive Committee

OFFICERS

Corinne Kelsch, President
SCCSIG JPA
(Joint Powers Authority)
John Vinke, Vice President
Lawndale SD
(K-8 Districts)
Kris Olafsson, Treasurer
MERGE JPA
(Joint Powers Authority)

MEMBERS

Lydia Cano
Palos Verdes Peninsula USD
(K-12; 1-15,000 ADA)
John Didion
Rancho Santiago CCD
(Community College District)
Michael Fine
Riverside USD
(K-12; 15,000+ ADA)
Michael Johnston
Clovis USD
(K-12; 15,000+ ADA)
Angela Jones
Hermosa Beach CSD
(K-8 Districts)
Janece Maez
Santa Monica-Malibu USD
(K-12; 1-15,000 ADA)
Vahe Markarian
Vista Charter School
(Charter Schools)
Cheryl Plotkin
Montebello USD
(K-12; 15,000+ ADA)
Ann Sparks
Bonita USD
(K-12; 1-15,000 ADA)
Fred Williams
North Orange County CCD
(Community College District)

ALTERNATES

Luis Camarena
Anaheim CSD
Darren Dang
Anaheim CSD
Claudia Delgadillo
Vaughn Next Century Learning Ctr.
Teresa Dreyfuss
Rio Hondo CCD
Phil Hillman
Ontario-Montclair SD
Susan Hume
Fullerton SD
Karen Kimmel
Las Virgenes USD
Thuy Nguyen
Peralta CCD
Nancy Nien, Ed.D
Downey USD
Barbara Ott
Brea Olinda USD
Andrea Reynolds
Lowell Joint SD
Joanne Schultz, Ed.D
Merced CCD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alliance of Schools for Cooperative Insurance Programs (ASCIP) is a public agency joint powers authority (JPA) which provides property/liability, workers' compensation, and health benefits insurance coverage to public educational institutions including school districts and community colleges in the State of California. Formed in 1980 as a joint purchase pool, ASCIP became a self-funded risk sharing pool in 1985.

In addition to providing coverage in the three major programs, ASCIP also offers an extensive array of services in risk management, safety and loss control, health and wellness, and claims and litigation management, to support and mitigate losses, all inclusive in the program costs. A variety of insurance products, including the owner-controlled insurance program (OCIP) for school construction; the booster/auxiliary club insurance; underground storage tank insurance; and a host of customized insurance products to meet our members' needs are also offered.

At the September 30, 2004 meeting, the Executive Committee approved the formation of a captive insurance company to support ASCIP's owner-controlled insurance program. On February 1, 2005, ASCIP formally established Captive Insurance for Public Agencies (CIPA) in the State of Hawaii and began to operate the Owner-Controlled Insurance Program (OCIP) through the use of CIPA.

At the April 2006 Strategic Planning meeting, the Executive Committee recommended that ASCIP offer a health benefits program to its membership and approved the merger of LARISA JPA and ASCIP effective July 1, 2006. ASCIP offered the self-funded dental and vision programs to its membership beginning July 2006. As a result of the success of the dental and vision programs, in October 2008, ASCIP launched its self-funded PPO medical program.

ASCIP's Executive Committee consists of thirteen members and thirteen alternates who represent the risk category of Community College districts, K-12 districts, K8 districts, Charter Schools, and subsidiary JPA school districts. Committee members are elected by risk and ADA categories and serve staggered terms of three years duration. The Executive Committee is responsible for providing overall leadership to the JPA, and it develops long-range goals and supporting policies to guide the direction of the organization and its staff.

ASCIP's day-to-day operations are administered by an in-house staff of twenty-nine, including a Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Sr. Director of Health Benefits, Sr. Director of Member Services, Sr. Director of Litigation, Director of Property/Liability Program, Director of Workers' Compensation Program, Director of Risk Control Services, Director of Training and Administration Services, Information Technology Coordinator, three Risk Services Consultants, two Benefits Services Consultants, four Accountants, and nine administrative/technical support staff.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

ASCIP's financial statements are prepared in conformity with generally accepted accounting principles in the United States of America. Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows are included along with Notes to Financial Statements to clarify accounting policies and financial information. *The Statement of Net Position* provides information on all ASCIP's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of ASCIP is improving or deteriorating. *The Statement of Revenues, Expenses and Changes in Net Position* provides information on total revenues, total expenses and how ASCIP's net position changed during the most recent fiscal year. *The Statement of Cash Flows* is presented on the direct method to reflect the operations of ASCIP based on the inflow and outflow of cash.

ASCIP's financial activities are reported in four separate funds: Property/Liability Fund, Workers' Compensation Fund, Health Benefits Fund, and CIPA-OCIP Fund. The Property/Liability Fund consists of revenues and expenditures relating to the core coverage programs (property and liability) and ancillary programs. The Workers' Compensation Fund consists of revenues and expenditures relating to the workers' compensation program. The Health Benefits Fund consists of revenues and expenditures relating to all fully-insured and self-insured medical, dental, and vision plans, and other miscellaneous plans such as life insurance, income protection, and long term care plan. The CIPA-OCIP Fund consists of revenues and expenditures relating to the Owner-Controlled Insurance Program. The assets, liabilities, revenues and expenses for four funds are reported on a full accrual basis.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

CONDENSED FINANCIAL INFORMATION
STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2014

	<u>2013</u>	<u>2014</u>
ASSETS		
Current assets	\$ 150,718,805	\$ 170,142,708
Noncurrent assets	139,146,078	163,331,374
Capital assets, net	<u>5,566,351</u>	<u>5,450,477</u>
Total Assets	<u>295,431,234</u>	<u>338,924,559</u>
LIABILITIES		
Current liabilities	77,780,795	77,241,609
Unpaid claims and claims adjustment expense, net of current portion	<u>82,905,681</u>	<u>115,286,697</u>
Total Liabilities	<u>160,686,476</u>	<u>192,528,306</u>
NET POSITION		
Net investment in capital assets	5,566,351	5,450,477
Restricted	5,014,246	5,016,563
Unrestricted	<u>124,164,161</u>	<u>135,929,213</u>
Total Net Position	<u>\$ 134,744,758</u>	<u>\$ 146,396,253</u>

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

**CONDENSED FINANCIAL INFORMATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2014**

	<u>2013</u>	<u>2014</u>
Operating Revenue:		
Member contributions	\$ 201,295,168	\$ 207,462,974
Operating Expenses:		
Provision for claims and claim adjustment expense	105,112,549	95,982,348
Provision for unallocated loss adjustment expense	799,540	6,077,345
Commercial excess/reinsurance premiums	14,527,052	18,226,080
Insurance premiums	52,101,375	58,172,974
Contract services/administrative expenses	18,280,780	18,342,677
Premium rebate	2,966,190	3,016,177
Total Operating Expenses	<u>193,787,486</u>	<u>199,817,601</u>
Non-operating Revenue:		
Interest and dividend income	1,720,506	1,815,228
Net increase (decrease) in fair value of investments	(42,692)	1,246,485
Other income	1,175,858	944,409
Total Non-operating Revenue	<u>2,853,672</u>	<u>4,006,122</u>
Change in Net Position	<u>10,361,354</u>	<u>11,651,495</u>
Total Net Position, Beginning of Year	<u>124,383,404</u>	<u>134,744,758</u>
Total Net Position, End of Year	<u><u>\$ 134,744,758</u></u>	<u><u>\$ 146,396,253</u></u>

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

**ANALYSIS OF OVERALL FINANCIAL POSITION
AND RESULTS OF OPERATIONS**

ASCIP's total assets increased approximately \$43,493,000 from \$295,431,000 as of June 30, 2013 to \$338,924,000 as of June 30, 2014. The increase in cash and investments contributed to the majority of the increase in total assets. ASCIP invests those funds not immediately necessary for claims payments in long-term securities in order to optimize the rate of return. The total assets consist of \$176,376,000 from the property/liability fund, \$126,669,000 from the workers' compensation fund, \$27,983,000 from the health benefits fund, and \$7,896,000 from the CIPA-OCIP fund. As of June 30, 2014, all programs experienced an increase in net position, except for the OCIP program. The property/liability and the workers' compensation programs' net position increased by \$1,836,000 and \$4,433,000, primarily due to favorable claims experience. The health benefits program experienced an increase in net position of \$5,494,000 primarily due to favorable claims experience in the self-funded medical and dental programs. Fiscal year 2013-2014 is the tenth year ASCIP has been operating the OCIP program through CIPA. At June 30, 2014, the OCIP program experienced a decrease in net position of \$112,000.

Total liabilities increased by approximately \$31,842,000, primarily due to the increase in provision for claims and claims adjustment expense in the property/liability and workers' compensation programs and the increase in the advance payments from the excess property carrier. The outstanding claims liability in the property/liability program increased by \$13,911,000, from \$86,334,000 as of June 30, 2013 to \$100,245,000, as of June 30, 2014. The claims liability in the workers' compensation program increased by approximately \$6,712,000, from \$32,137,000 as of June 30, 2013, to \$38,849,000, as of June 30, 2014. The health benefits program incurred a total outstanding claims liability of \$3,004,000, a decrease of \$509,000 from the prior year. As of June 30, 2014, the outstanding claims liability for the OCIP program decreased by \$137,000 to \$3,306,000. The outstanding claims liabilities for all programs were recorded at undiscounted. Unallocated claims adjustment expense (ULAE) increased by \$6,035,000 mostly due to the increase in ULAE in the property/liability and workers' compensation programs. The increase in total liabilities was also driven by the increase in advance payments from the property excess carrier. During the year, the property/liability program incurred two big property losses. Even though ASCIP has not made a settlement on these cases and due to a large case reserve, the property excess carrier made an advance payment to ASCIP. As such, ASCIP had to record this advance payment as a liability.

In fiscal year 2013-2014, ASCIP collected a total of \$207,463,000 in premiums from all programs, an increase of \$6,168,000 from the prior year. The total premium revenues in the property/liability program decreased by \$2,733,000 from the prior year to \$53,842,000, mainly due to a decline in membership. Total premium contributions in the workers' compensation program increased by \$778,000 primarily due to the increase in rates. During fiscal year 2013-2014, ASCIP collected \$7,735,000 more in health benefits premiums compared to the prior year. The increase in member participation in the Kaiser and United Healthcare plans contributed to most of the increase in health benefits premium contributions. For the fiscal year ended June 30, 2014, the OCIP program enrolled five new construction projects with a total premium of \$2,675,000 and closed eight projects enrolled in the prior years with an additional premium of \$296,000. Since inception, the OCIP program has enrolled a total of 72 projects with a total premium of \$27,384,000.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

ASCIP incurred a total expense of \$196,801,000 in fiscal year 2013-2014, increased by \$5,980,000. The increase in total expense was predominantly due to the increase in health benefits insurance premiums in the Kaiser and United Healthcare plans as a result of adding one large member in these plans. In general, other operating expenses held constant from the 2012-2013 fiscal year to 2013-2014 fiscal year. The overall increase in net position for the year ended June 30, 2014 was \$11,651,000 to an ending net position of approximately \$146,396,000.

ANALYSIS OF BALANCES AND TRANSACTION OF INDIVIDUAL FUNDS

Property/Liability Program

The total assets in the property/liability fund increased by \$21,880,000 to \$176,376,000 as of June 30, 2014. The increase was mainly attributable to the increase in cash and investments. Total cash balance increased from \$55,591,000 as of June 30, 2013 to \$64,722,000 at the end of fiscal year 2013-14. Member contributions and investment income received and earned during the year exceeded claims payments, excess insurance premiums, and other expenses, resulting in an increase in cash for the year. ASCIP's investment portfolio balance rose to \$170,519,000 as of June 30, 2014 from \$145,430,000 at the end of last fiscal year. The increase in the portfolio balance included \$1,115,000 in interest income and \$271,000 in realized gain that was reinvested in the portfolio and an unrealized gain in investment market value of \$975,000. To maximize ASCIP's investment income and to ensure that ASCIP's investments are in compliance with the California Government Code, Section 53601 and ASCIP's investment policy, ASCIP utilizes Public Financial Management, Inc. as an investment advisor to manage ASCIP's investment portfolio.

The total liabilities in the property/liability fund increased by \$20,044,000 to \$124,942,000 as of June 30, 2014, primarily due to the increase in outstanding claims liability and advance payments from excess property carrier. The pool's total claims liability increased from approximately \$86,334,000 as of June 30, 2013 to \$100,245,000 as of June 30, 2014. This outstanding claims liability for unpaid losses was recorded undiscounted as actuarially determined. The general and auto liability line of coverage contributed to most of the overall increase in outstanding claims liability. Since last year's valuation, liability case reserves have increased from \$34.2 million to \$35.5 million. In addition, in July 2014, there was a liability claim occurred in 2011-2012 that was awarded a legal judgment of approximately \$3.0 million higher than what had been reserved. The year-end adjustment in the outstanding claims liability also reflected the impact of this legal judgment. Moreover, the increase in outstanding claims liability was also driven by an unusual reduction in claims payments made during the year.

Net position in the property/liability fund increased by \$1,836,000 to an ending balance of \$51,434,000 as of June 30, 2014.

Total premium revenues in the property/liability fund decreased by \$2,733,000 from the prior year to \$53,842,000 primarily due to an overall decline in membership. In 2013-2014, the property/liability program lost two member school districts and one member JPA which included twenty-one school districts and gained two new charter school members. During fiscal year 2013-2014, the property/liability program earned a total of \$974,000 in interest income and recognized a net increase in investment fair value of \$761,000.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The total expenses in the property/liability fund increased by \$5,072,000 largely due to the increase in claims expense and excess/reinsurance premiums. For the year, the property/liability program claims expense increased by \$1,912,000. The increase was largely driven by the increase in projected ultimate losses in the general and auto liability lines of coverage. To avoid incurring a catastrophic or severe loss in any one program year, ASCIP purchased excess and/or reinsurance in each of its programs. In fiscal year 2013-2014, the increase of \$2,312,000 in total excess/reinsurance premiums was mostly due to the increase in liability reinsurance premium. This year, ASCIP restructured its reinsurance purchase by eliminating the \$4.1 million corridor aggregate deductible in the \$3 million in excess of \$2 million layer and taking on a 20 percent quota share of the loss in this layer. The elimination of the corridor deductible resulted in an increase in liability reinsurance premium. Part of the increase in total expenses included \$955,000 increase in provision for unallocated loss adjustment expense (ULAE). Risk control expenses incurred in 2013-2014 were lower than the previous year by \$314,000, primarily due to a softer utilization of services. All other operating expenses in the property/liability program held constant from fiscal year 2012-2013 to fiscal year 2013-2014.

Workers' Compensation Program

The workers' compensation fund ended the fiscal year 2013-2014 with the total assets of \$126,669,000, an increase of \$16,154,000 from the prior year. The total assets included \$59,374,000 in cash and cash equivalents, \$1,396,000 in accounts receivable, and \$65,899,000 in investments. The workers' compensation program earned a total of \$695,000 in interest income that was re-invested in the portfolio and recognized a net increase in investment fair value of \$480,000.

The total liabilities in the workers' compensation fund increased by \$11,721,000 to \$54,747,000 at the end of fiscal year. The increase was mainly driven by the increase in outstanding claims liability and unallocated claims adjustment expense. The outstanding claims liability for unpaid losses increased by \$6,712,000 to \$38,849,000. This increase was primarily due to the decision made by the Board a year ago to discontinue purchasing the dollar-one reinsurance program from Chartis due to unfavorable pricing and to self-insure the first million dollars layer again. This year, the unallocated claims adjustment expense increased by a significant amount, \$5,158,000, due to a one-time adjustment to reflect a more accurate cost of adjusting outstanding claims. The total liabilities also included a dividend payable. Due to the substantial equity in the program, this year ASCIP's Board declared a total retrospective rebate of \$3,016,000. Over the last eight years, the workers' compensation program has returned a total of \$17,774,000 back to its members.

Despite a considerable increase in the provision for loss and loss adjustment expense and a large rebate, the workers' compensation fund closed the fiscal year with an increase in net position of \$4,433,000, which brought the ending net position to \$71,922,000 as of June 30, 2014. This increase was mainly attributable to favorable loss experience and an overall well-managed program.

Member contributions in the workers' compensation program increased by \$778,000 to \$30,743,000 for the year ended June 30, 2014 as a result of the increase in payroll and renewal rates. The 2013-2014 composite renewal rate increased by 7 percent from the prior year. In program year 2013-2014, the workers' compensation program added two new members and lost two existing members, which kept the total number of members unchanged at forty-six. Total program payroll increased by over \$21 million to a total payroll of \$2.05 billion.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Total expenses in the workers' compensation program decreased by \$4,798,000 from the prior year, primarily due to the decrease in claims expense. The change in provision for IBNR and case reserves decreased significantly as compared to the previous year. Last year, the provision for IBNR and case reserves increased by \$18,740,000, compared to only \$6,712,000 increase in this year. A smaller change in IBNR and case reserves was attributed to a reduction in projected ultimate losses incurred before June 30, 2013. The excess insurance premium increased slightly from last year mostly due to the increase in payroll. The general operating expenses were allocated to the workers' compensation fund based on a portion of estimated staff time dedicated to this program. For the fiscal year 2013-2014, 21 percent of the total general administrative expenses were allocated to the worker's compensation fund.

Health Benefits Programs

Effective July 1, 2006, ASCIP began offering health benefits programs to its membership. In addition to the core health benefits programs such as medical, dental and vision, ASCIP also offers several other ancillary programs including life insurance, income protection plan, long-term care, and social security alternative plan.

As of June 30, 2014, the health benefits fund had total assets of \$27,983,000, an increase of \$5,183,000 from prior year. The total assets included \$25,868,000 in cash and cash equivalents, \$1,925,000 in prepaid deposits, and \$190,000 in accounts receivable.

The total liabilities in the health benefits fund were \$6,726,000 including \$3,441,000 in accounts payable, \$3,004,000 in outstanding claims liability, \$223,000 in unallocated claims adjustment expense, \$58,000 in OPEB liability. As of June 30, 2014, the health benefits program's outstanding claims liability decreased by \$509,000. This decrease was largely driven by the decrease in the IBNR reserves in the self-funded medical and dental plans. The medical plan reserves were down this year reflecting the lower than expected claims paid over the last twelve months, lower plan enrollment levels, and reduced lag time resulting from improvements in the carrier's claim payment systems. The dental plan reserves also went down due to lower plan enrollment and a continual increase in the number of dental providers filing claims electronically each year. The decrease in the IBNR reserves also drove down the provision for claims adjustment expense, decreased by \$36,000.

For the year ended June 30, 2014, member contributions in the health benefits programs totaled \$120,402,000 including \$75,713,000 from the medical and miscellaneous plans, \$40,852,000 from the dental plans, and \$3,838,000 from the vision plans. Total member contributions for fiscal year 2013-2014 was \$7,735,000 higher compared to the prior year mainly due to the increase in rates and the addition of one large member in the Kaiser and United Healthcare plans.

During fiscal year 2013-2014, the health benefits program incurred a total expense of \$115,038,000, which included \$58,173,000 in insurance premiums paid for the fully-insured plans, \$49,975,000 in claims payment made for the self-funded plans, \$2,943,000 in claims administration, and \$3,947,000 in other general administrative expenses. Total expense for fiscal year 2013-2014 was \$5,468,000 higher than the previous year primarily due to the increase in insurance premiums paid to the Kaiser and United Healthcare plans for the new member.

For the year, the health benefits program ended with a total of \$5,494,000 increase in net position, which increased the ending net position to \$21,257,000 as of June 30, 2014.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Captive Insurance for Public Agencies, Ltd. (CIPA) – Owner-Controller Insurance Program (OCIP)

The OCIP program is comprised of funds held in the Hawaii captive insurance company (CIPA) and funds held at ASCIP. CIPA retains the loss fund of the OCIP program and ASCIP retains the funds to pay the excess insurance and the OCIP administration fees. The financial statements for the OCIP program in this report reflect the consolidated year-end result of the funds held at CIPA as well as funds held at ASCIP.

In fiscal year 2013-2014, the OCIP program added five new construction projects with a total premium of \$2,675,000 and closed eight projects enrolled in the prior years with an additional premium of \$296,000, bringing the total number of projects to 72 projects and a total premium of \$27,384,000 from the inception of CIPA in 2005.

In compliance with Generally Accepted Accounting Principles (GAAP), the OCIP program recognized revenues over the life of the projects. For fiscal year 2013-2014, the OCIP program earned a total premium of \$2,476,000 including \$980,000 on projects enrolled during this fiscal year, and \$1,495,000 on projects enrolled in previous fiscal years. Collected but unearned revenue of \$2,131,000 will be recognized in future fiscal years.

Total expenses for the fiscal year 2013-2014 were \$2,615,000. Included in the total expenses were excess insurance premium of \$965,000, IBNR reduction of \$137,000, loss payment of \$1,114,000, OCIP administrator and broker's fees of \$369,000, and general administrative expenses of \$306,000.

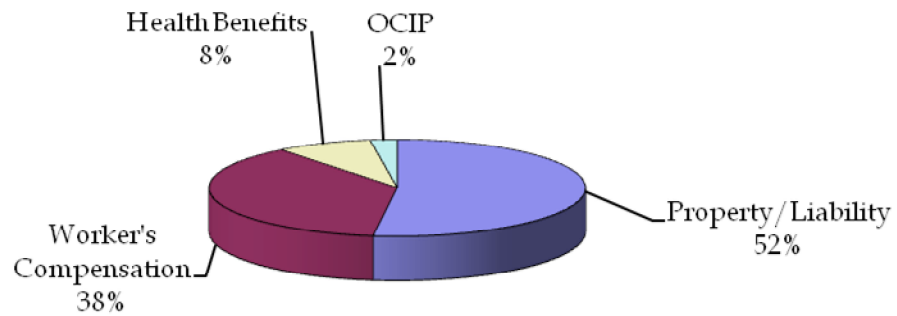
For the year, the OCIP program had a decrease in net position of \$112,000. At June 30, 2014, the OCIP program's total assets were \$7,896,000 and liabilities were \$6,113,000, resulting in a cumulative net position of \$1,783,000. The total assets included \$5,048,000 investments in various types of fix-income securities. In order to maximize investment returns, CIPA also utilizes Public Financial Management, Inc. as its investment advisor to manage its investment portfolio.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

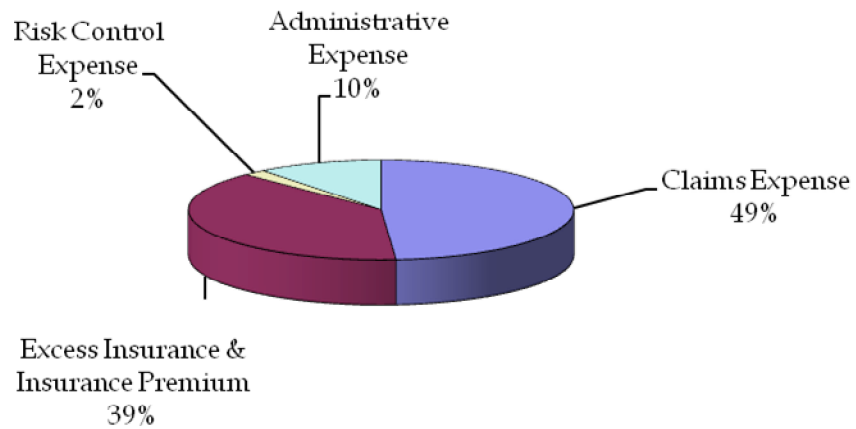
**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

GRAPHICAL PRESENTATION OF ASSETS AND EXPENSES

Total Assets by Program at June 30, 2014



Breakdown of Expenses for the Year Ended June 30, 2014



ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)

STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Cash and cash equivalents	\$ 151,665,658
Receivables	3,458,601
Investments maturing within one year	7,187,884
Restricted assets - investments maturing within one year	5,016,563
Prepaid expenses and deposits	2,814,002
Total Current Assets	<u>170,142,708</u>
Investments, net of amount maturing within one year	163,331,374
Capital assets	7,462,765
Less: Accumulated depreciation	<u>(2,012,288)</u>
Net capital assets	<u>5,450,477</u>
Total Non-Current Assets	<u>168,781,851</u>
Total Assets	<u>338,924,559</u>

LIABILITIES

Accounts payable	5,257,006
Advance SIR and excess insurance payments	4,507,216
Unearned premium income	2,131,698
Current portion of unpaid claims	30,117,200
Unallocated claims adjustment expenses (ULAE)	11,547,328
Retrospective premium payable	3,016,177
OPEB liability	162,709
Licensing agreement obligation	113,875
Risk management deposit fund	19,624,142
Safety credit payable	565,963
SELF rate stabilization fund	198,295
Total Current Liabilities	<u>77,241,609</u>
Unpaid claims and claims adjustment expenses, net of current portion	<u>115,286,697</u>
Total Liabilities	<u>192,528,306</u>

NET POSITION

Net investment in capital assets	5,450,477
Restricted	5,016,563
Unrestricted	<u>135,929,213</u>
Total Net Position	<u>\$ 146,396,253</u>

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

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUES	
Premium deposits from members	\$ 207,462,974
Less: Retrospective premium deposit ratings adjustment	(3,016,177)
	<u>204,446,797</u>
Other income	944,409
Total Operating Revenues	<u>205,391,206</u>
EXPENSES	
Claims expense, net of reimbursements of \$5,248,308	76,006,077
Provision for IBNR and case reserves	19,976,271
Excess/reinsurance premiums	18,226,080
Insurance premiums	58,172,974
Contract services:	
Claims administration	6,833,754
Provision for ULAE reserves	6,077,345
Broker's fees	826,544
General counsel services	279,141
Captive management	58,639
OCIP program marketing/sales	38,516
Rating and actuarial services	340,213
Accounting and audit services	93,360
Investment advisory service	185,729
Salaries and benefits	3,659,444
Property appraisal	279,584
Other contract services	341,024
Loss control and risk management	3,700,719
Other operating expenses	1,248,731
Interest	154,659
Depreciation	302,620
Total Operating Expenses	<u>196,801,424</u>
Operating Income	<u>8,589,782</u>
NON-OPERATING REVENUES	
Interest and dividend income	1,815,228
Net realized gains	271,369
Net unrealized gains	975,116
Total Non-Operating Income	<u>3,061,713</u>
CHANGE IN NET POSITION	11,651,495
NET POSITION, BEGINNING OF YEAR	134,744,758
NET POSITION, END OF YEAR	<u>\$ 146,396,253</u>

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

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for premium contributions and other income	\$ 203,915,803
Claims paid	(76,006,078)
Cash paid to employees	(3,659,443)
Cash paid for benefits, insurance, and other expenses	(85,474,143)
Net Cash Provided by Operating Activities	<u>38,776,139</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of equipment	(186,746)
Net Cash Used by Capital and Related Financing Activities	<u>(186,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividend income received	1,815,228
Net realized gains from investing securities	(271,369)
Net unrealized gains from investment securities	(975,116)
Purchase of investing securities	(208,413,783)
Proceeds from sale of investing securities	186,749,995
Net Cash Used by Investing Activities	<u>(21,095,045)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,494,348
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>134,171,310</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 151,665,658</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 8,589,782
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	302,620
Increase in accounts receivable	(1,530,851)
Increase in prepaids and deposits	(427,244)
Increase in accounts payable and other liabilities	5,318,896
Increase in unearned revenue	486,972
Increase in unpaid claims and adjustments	26,011,262
Increase in risk management deposit fund	24,702
Net Cash Provided by Operating Activities	<u><u>\$ 38,776,139</u></u>

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS (A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Alliance of Schools for Cooperative Insurance Programs (ASCIP) was formed in October 1985, under a joint powers agreement (JPA) between participating school districts located within Los Angeles and Orange Counties, pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the *California Government Code*. Subsequently, ASCIP expanded to a Statewide charter effective 1994. The purpose of ASCIP is to provide a more viable and economical insurance program to its members than individual members might otherwise be able to obtain operating on their own. During the fiscal year ended June 30, 2014, there were 143 participants in the ASCIP programs. Members may withdraw from ASCIP at the end of any fiscal year by notifying the Executive Committee in writing at least 90 days prior to the close of the insurance coverage year.

The annual deposit premium for each member is calculated based upon factors normally used to calculate annual insurance premiums. Prior years' premiums will be recalculated and adjusted until all claims are closed or until the Executive Committee determines that sufficient facts are known so that no additional calculations should be made.

In the event of the dissolution of ASCIP, the participating school districts would receive a pro-rata share of any fund equity or be liable for a pro-rata share of any debts and liabilities based upon the premiums and claims of such school districts.

ASCIP includes all funds that are controlled by or dependent on ASCIP's governing board for financial reporting purposes. ASCIP has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America.

Component units are legally separate organizations for which ASCIP is financially accountable. Component units may include organizations that are fiscally dependent on ASCIP in that ASCIP approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which ASCIP is not financially accountable but the nature and significance of the organization's relationship with ASCIP is such that exclusion would cause ASCIP's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in ASCIP's financial statements because of their relationship with ASCIP. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if they were part of ASCIP's operations because the governing board of the component unit is essentially the same as the governing board of ASCIP and because their purpose is to provide insurance coverage for the benefit of ASCIP, as described below.

The Captive Insurance for Public Agencies, Ltd. (CIPA) was incorporated on January 25, 2005, in the State of Hawaii, and is authorized to transact the business of a captive insurance company. CIPA is a wholly owned subsidiary of ASCIP.

Effective February 1, 2005, CIPA insures ASCIP's retained portion of its Owner Controlled Insurance Program (OCIP) for construction projects. The OCIP insures new construction and renovation projects undertaken by participating districts, and covers contractors and all subcontractors on any work at or emanating from the project site. Coverage includes workers' compensation and employer's liability, general liability, pollution liability, and builders risk exposures.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS (A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

CIPA's fiscal year end is June 30. ASCIP retains a local captive manager and program administrator of CIPA's insurance program. CIPA issues separate financial statements which are maintained by ASCIP.

Basis of Presentation

The accompanying financial statements are presented as proprietary funds on the accrual basis of accounting in accordance with governmental generally accepted accounting principles. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. Operating revenues include member contributions net of any applicable rate credits. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium rebates, and general and administrative expenses. All other revenues and expenses are considered non-operating. ASCIP has elected not to apply Financial Accounting Standards Board (FASB) pronouncements after November 30, 1989.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. ASCIP applies all Government Accounting Standards Board (GASB) pronouncements, as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. ASCIP has four enterprise funds and no internal service funds.

Property Liability Fund

Members participate in the following programs:

Liability Insurance:

A self-funded liability insurance plan covering claims up to \$5,000,000 per occurrence, with reinsurance support as follows:

A fully reinsured liability insurance program covering claims between \$1,000,001 and \$2,000,000 after a \$4,500,000 aggregate deductible has been met and a reinsured liability insurance program covering claims between \$2,000,001 and \$5,000,000 in which ASCIP takes a 20 percent quota share position.

Property Insurance:

A self-funded property insurance plan covering claims up to \$1,000,000 per occurrence.

A fully reinsured property insurance program covering claims beyond the \$1,000,000, up to \$500,000,000 per occurrence.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Crime Insurance:

A self-funded crime insurance plan covering claims above each school district's \$500 deductible with the following limits:

Employee faithful performance, depositor's forgery, and wire fund transfer:

A self-funded insurance plan covering claims up to \$250,000.

A fully insured insurance plan covering claims between \$250,000 and \$5,000,000.

Theft, disappearance, and destruction coverage form and robbery and safe burglary coverage form:

A self-funded insurance plan covering claims up to \$250,000.

A fully insured insurance plan covering claims between \$250,000 and \$300,000.

Auto Physical Damage Insurance:

A self-funded auto physical insurance plan covering the actual cash value of the damaged vehicle above each school district's \$1,500 deductible.

Workers' Compensation Fund

Members participate in the following programs:

A self-funded Workers' Compensation Plan covering claims up to \$1,000,000 per occurrence for workers' compensation and employer liability benefit.

A fully insured excess program covering claims excess of \$1,000,000 per occurrence to statutory limits for workers' compensation.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Health Benefit Programs

Members participate in the following programs:

Medical:

A fully-insured Health Maintenance Organization (HMO) program administered through United Healthcare and Kaiser Permanente covering medical benefits with various plan options.

A fully-insured Preferred Provider Organization (PPO) program administered through United Healthcare covering medical benefits with various plan options.

A self-funded Blue Cross/Blue Shield Preferred Provider Organization (PPO) and a flex funded Health Maintenance Organization (HMO) program up to \$150,000 per individual per year, administered through the Self-Insured Schools of California (SISC).

Dental:

A self-funded PPO dental program administered through Delta Dental of California covering benefits with various plan designs.

A fully-insured dental HMO program administered through DeltaCare USA covering benefits with various plan designs.

Vision:

A self-funded PPO vision program administered through Vision Service Plan covering benefits with various plan designs.

A fully-insured vision program administered through DeltaCare Vision covering benefits with various plan designs.

Ancillary Programs:

A fully-insured Income Protection program administered through Voya Financial covering short-term and long-term disability.

A fully-insured Long-Term Care Program administered through Unum Provident covering benefits for assistance in daily living activities or cognitive impairment.

A fully-insured Life Insurance Program administered through Voya Financial covering Life and Accidental Death and Dismemberment (AD&D) with various coverage limits.

A defined contribution alternative plan offered in lieu of social security for part-time, seasonal, and temporary employees administered through MetLife.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Owner-Controlled Insurance Program (OCIP)

Members participate in the following programs:

A self-funded Owner-Controlled Insurance Program (OCIP) that provides public school construction and covers workers' compensation, general liability, and pollution liability for the districts and their construction contractors and subcontractors up to \$500,000 per occurrence.

A fully-reinsured OCIP program between \$500,000 to statutory limit for workers' compensation benefits, between \$500,000 to \$17,000,000 for general liability, and between \$500,000 to \$5,000,000 for pollution liability.

Cash and Cash Equivalents

For purposes of the *Statement of Cash Flows*, ASCIP considers investments in the County Treasurer, investment in the State Investment Pool, and money market mutual funds to be cash equivalents.

Investment and Investment Pools

ASCIP records its investments at fair value and cash in Local Agency Investment Fund and County Treasury (investment pools) at cost which approximates fair value. Changes in fair value are reported as revenue in the *Statement of Revenues, Expenses, and Changes in Net Position*. The effect of recording investments and investment pools at fair value is reflected as a net change in the fair value of investments on the *Statement of Revenues, Expenses, and Changes in Net Position*.

Fair value of investments has been determined based on quoted market prices. ASCIP's investments in investment pools have been valued based on the relative fair value of the entire external pools to the external pool's respective amortized cost.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The CIPA OCIP program requires that certain investments be set aside as collateral for the self-insured retention. These are classified as restricted assets-investments because their use is limited.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Capital Assets

Equipment acquired by enterprise funds is capitalized. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheet. Depreciation has been provided over the estimated useful lives ranging from three to ten years using the straight-line method of depreciation. Depreciation expense amounted to \$302,620 for the year ended June 30, 2014.

Unearned Revenue (Premium Income)

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by ASCIP prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when ASCIP has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Unpaid Claims Liabilities

ASCIP establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) 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 and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage's such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Retrospective Premium Deposit Ratings Adjustment

A provision for retrospective premium deposit ratings adjustments is estimated based on ASCIP's historical and current claims experience.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS (A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Excess Insurance

ASCIP uses excess and reinsurance agreements to reduce its exposure to large losses on all types of insured events. Excess insurance permits recovery of a portion of losses from excess insurers, although it does not discharge the primary liability of ASCIP as direct insurer of the risks insured. ASCIP does not report excess insured risks as liabilities unless it is probable that those risks will not be covered by excess insurers.

Income Taxes

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

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No.4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

ASCIP has implemented the provisions of this Statement for the year ended June 30, 2014.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS (A Joint Powers Authority)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 2 - CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2014, consists of the following:

Cash in banks	\$ 752,688
Investments classified as cash equivalents	
Investment in State investment pool	4,026,120
Investment in County treasury	146,886,850
Total Cash and Cash Equivalents	<u>\$ 151,665,658</u>

Investments

Investments as of June 30, 2014, are classified as follows:

Investments maturing within one year	
Unrestricted	\$ 7,187,884
Restricted	5,016,563
	<u>12,204,447</u>
Investments maturing after one year	
Unrestricted	163,331,374
Total Investments	<u>\$ 175,535,821</u>

Policies and Practices

ASCIP is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Investment in County Treasury

ASCIP is a voluntary participant in the Los Angeles County investment pool. The fair value of ASCIP's investment in the pool is reported in the accounting financial statements at amounts based upon ASCIP's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. For additional information visit the Los Angeles County Treasurer's website at: www.ttax.co.la.ca.us.

Investment in the State Investment Pool

ASCIP is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of ASCIP's investment in the pool is reported in the accompanying financial statement at amounts based upon ASCIP's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. For additional information visit LAIF's website at: www.treasurer.ca.gov/pmia-laif.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Municipal Securities	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None*	None
Joint Powers Authority Pools	N/A	None	None

* Maximum of \$50 million per investor.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
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Interest Rate Risk

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

Information about the sensitivity of the fair values of ASCIP's cash equivalents and investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of ASCIP's investment by maturity:

Cash/Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months
County Pool	\$ 146,886,850	\$ -	\$ -	\$ 146,886,850
State Investment Pool	4,026,120	4,026,120	-	-
	150,912,970	4,026,120	-	146,886,850
Money Market Mutual Funds	2,186,934	2,186,934	-	-
U.S. Treasuries	53,777,213	5,838,915	18,311,309	29,626,989
U.S. Agencies	46,876,297	1,406,645	13,349,987	32,119,665
Municipal Bonds	3,889,811	-	751,478	3,138,333
Certificates of Deposit	19,210,802	200,148	19,010,654	-
Commercial Paper	504,068	504,068	-	-
Corporate Bonds	49,090,696	251,525	1,161,556	47,677,615
	175,535,821	10,388,235	52,584,984	112,562,602
Total	\$ 326,448,791	\$ 14,414,355	\$ 52,584,984	\$ 259,449,452

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, ASCIP's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Cash/Investment Type	Fair Value	Minimum Legal Rating	S & P Rating as of Year End				
			A-1+	A-1	AAA	AA+	AA
U.S. Treasuries	\$ 53,777,213	**	\$ -	\$ -	\$ -	\$ 53,777,213	\$ -
U.S. Agencies	46,876,297	*	-	-	-	46,876,297	-
Municipal Bonds	3,889,811	*	-	-	751,478	-	837,655
Certificates of Deposit	19,210,802	*	7,485,703	3,600,148	-	-	-
Commercial Paper	504,068	A-1	-	504,068	-	-	-
Corporate Bonds	49,090,696	A-	-	-	3,508,995	7,864,813	11,706,850
Money Market Funds	2,186,934	*	-	-	-	-	-
County Pool	146,886,850	*	-	-	-	-	-
State Investment Pool	4,026,120	*	-	-	-	-	-
Total	\$ 326,448,791		\$ 7,485,703	\$ 4,104,216	\$ 4,260,473	\$ 108,518,323	\$ 12,544,505

Cash/Investment Type	Fair Value	Minimum Legal Rating	S & P Rating as of Year End				
			AA-	A+	A	A-	Unrated
U.S. Treasuries	\$ 53,777,213	**	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	46,876,297	*	-	-	-	-	-
Municipal Bonds	3,889,811	*	936,705	-	1,363,973	-	-
Certificates of Deposit	19,210,802	*	4,124,951	4,000,000	-	-	-
Commercial Paper	504,068	A-1	-	-	-	-	-
Corporate Bonds	49,090,696	A-	3,662,391	7,550,001	6,394,190	8,403,456	-
Money Market Funds	2,186,934	*	-	-	-	-	2,186,934
County Pool	146,886,850	*	-	-	-	-	146,886,850
State Investment Pool	4,026,120	*	-	-	-	-	4,026,120
Total	\$ 326,448,791		\$ 8,724,047	\$ 11,550,001	\$ 7,758,163	\$ 8,403,456	\$ 153,099,904

* Not required to be rated

** Exempt from disclosure

Concentration of Credit Risk

The investment policy of ASCIP contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*, other than corporate issuers which is 25 percent (25 percent). At June 30, 2014, investments in any one issuer that represent five percent (5 percent) or more of the total investments included Federal National Mortgage Association, seven percent (7 percent), and Federal Home Loan Banks, six percent (6 percent).

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
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**NOTES TO FINANCIAL STATEMENTS
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Custodial Credit Risk

Deposits (Banks)

This is the risk that in the event of a bank failure, ASCIP's deposits may not be returned to it. ASCIP does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (the governmental unit may waive collateral for amounts covered by Federal deposit insurance). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, ASCIP's bank balance was insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of ASCIP.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consist of the following:

	Property/ Liability Fund	Workers' Compensation Fund	Health Benefits Fund	CIPA-OCIP Fund	Total
Accrued investment income	\$ 479,522	\$ 345,958	\$ 72,837	\$ -	\$ 898,317
Premium contributions	-	978,115	-	-	978,115
Excess insurance recoveries	392,237	71,566	-	-	463,803
Insurance premium refunds	19,463	-	-	-	19,463
Other accounts receivable	582,344	139	116,975	399,445	1,098,903
Total	<u>\$ 1,473,566</u>	<u>\$ 1,395,778</u>	<u>\$ 189,812</u>	<u>\$ 399,445</u>	<u>\$ 3,458,601</u>

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS

A summary of fixed assets for the year ended June 30, 2014, consists of the following:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Land and buildings	\$ 6,310,021	\$ -	\$ -	\$ 6,310,021
Equipment	1,017,991	186,746	(51,993)	1,152,744
Accumulated depreciation	(1,761,661)	(302,620)	51,993	(2,012,288)
Net Capital Assets	<u>\$ 5,566,351</u>	<u>\$ (115,874)</u>	<u>\$ -</u>	<u>\$ 5,450,477</u>

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consist of the following:

	Property/ Liability Fund	Workers' Compensation Fund	Health Benefits Fund	CIPA-OCIP Fund	Total
Salaries and benefits	\$ 133,312	\$ 58,977	\$ 94,510	\$ -	\$ 286,799
Accrued vacation	89,254	40,589	64,392	-	194,235
Other services and operating expenses	726,721	395,039	3,282,184	372,028	4,775,972
Total	<u>\$ 949,287</u>	<u>\$ 494,605</u>	<u>\$ 3,441,086</u>	<u>\$ 372,028</u>	<u>\$ 5,257,006</u>

NOTE 6 - UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

ASCIP establishes case reserves and incurred but not reported (IBNR) based on estimates of the ultimate cost of claims (including estimated expenses for investigating and settling claims) that have been reported but not settled, and of claims that have been incurred but not reported. ASCIP uses insurance agreements to reduce its exposure to large losses on property coverage. The insurance agreement discharges the primary liability of ASCIP as direct insurer of the risks insured above certain specified retentions.

The liability recorded for incurred losses is based on information obtained from independent actuarial reports. The supporting information provided by ASCIP relies on the continuance of certain historical trends and forecasts of future activities and conditions. Although management believes that the claims payable for losses and loss expenses at June 30, 2014, is adequate, the ultimate settlement of claims and related expenses may vary from the liability recorded.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 - RECONCILIATION OF UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

As discussed in Note 6, ASCIP establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for ASCIP during the fiscal years ended June 30, 2013 and 2014:

	2013	2014
Unpaid claims at beginning of year	\$ 110,434,796	\$ 125,427,627
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	112,845,897	109,089,774
Decrease in provision for insured events of prior years	(6,279,020)	(13,107,426)
Total Incurred Claims and Claim Adjustment Expenses	<u>106,566,877</u>	<u>95,982,348</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	51,655,750	51,845,831
Claims and claim adjustment expenses attributable to insured events of prior years	39,918,296	24,160,247
Total Payments	<u>91,574,046</u>	<u>76,006,078</u>
Total unpaid claims at end of year	125,427,627	145,403,897
Current portion	(42,521,946)	(30,117,200)
Non-current portion	<u>\$ 82,905,681</u>	<u>\$ 115,286,697</u>

NOTE 8 - RETROSPECTIVE PREMIUM DEPOSIT RATINGS ADJUSTMENT

ASCIP is required by its bylaws to recalculate and adjust prior years' premium deposits (retrospective premium deposit adjustments) when all claims are closed or the Executive Committee determines that sufficient facts are known so that no additional calculations should be made. During the year ended June 30, 2014, retrospective adjustments of \$3,016,177 were calculated related to premiums received for the five years ended June 30, 2003, June 30, 2004, June 30, 2005, June 30, 2006, and June 30, 2007. The impact of any future retrospective premium deposit adjustments related to premiums paid for the years open through 2014 has not been calculated and no provision has been made in the financial statements.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM

Plan Description

ASCIP's defined benefit pension plan, Miscellaneous Plan of The Alliance of Schools for Cooperative Insurance Programs (the Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of The Alliance of Schools for Cooperative Insurance Programs is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. ASCIP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through board approval. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Policy

Active plan members in the Miscellaneous Plan of The Alliance of Schools for Cooperative Insurance Programs are required to contribute 7.0 percent of their annual covered salary. ASCIP makes the contributions required of ASCIP employees on their behalf and on their account. ASCIP is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013-2014 was 12.024 percent. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2013-2014, ASCIP's annual pension cost was \$303,450 and ASCIP actually contributed \$303,450. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30 to 14.20 percent for members; and (c) 3.0 percent overall payroll growth. Both (a) and (b) include an inflation component of 2.75 percent. The actuarial value of Miscellaneous Plan of The Alliance of Schools for Cooperative Insurance Programs' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a 15 year period depending on the size of investment gains and/or losses. Miscellaneous Plan of The Alliance of Schools for Cooperative Insurance Programs' unfunded actuarial accrued excess assets is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of the valuation date, was 19 years.

ASCIP had less than 100 active members as of the June 30, 2012, actuarial valuation. As a result, ASCIP members are required to participate in larger risk pools: Miscellaneous Two Percent at 55 risk pool.

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Unfunded liabilities are amortized as a level percent of pay over a closed 19 year period. Gains and losses that occur in the operation of the Plan are amortized over a rolling period, which results in an amortization of ten percent of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The CalPERS Miscellaneous Two Percent at 55 Risk Pool Plan has unfunded liabilities of \$488.5 million as of June 30, 2012. This liability will be amortized through higher employer pension rates applied over a 30 year period as determined by CalPERS.

Three Year Trend Information for CalPERS Two Percent at 55 Risk Pool

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 240,160	100%	\$ -
June 30, 2013	264,292	100%	-
June 30, 2014	303,450	100%	-

CalPers Two Percent at 55 Risk Pool

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
June 30, 2008	\$ 2,780,281	\$ 2,547,323	\$ 232,958	91.6%	\$ 688,607	33.8%
June 30, 2009	3,104,798	2,758,511	346,287	88.8%	742,981	46.6%
June 30, 2010	3,309,064	2,946,408	362,656	89.0%	748,401	48.5%
June 30, 2011	3,619,836	3,203,215	416,621	88.5%	759,264	54.9%
June 30, 2012	4,175,139	3,686,598	488,541	88.3%	757,046	64.5%

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by ASCIP. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of one retiree and beneficiary currently receiving benefits, no terminated Plan members entitled to but not yet receiving benefits, and 25 active Plan members.

Contribution Information

The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013-2014, ASCIP was not required to contribute to the plan.

Annual OPEB Cost and Net OPEB Obligation

The ASCIP's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of ASCIP's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in ASCIP's net OPEB obligation to the Plan:

Annual required contribution	\$ 18,299
Interest on net OPEB obligation	7,490
Adjustment to annual required contribution	<u>(9,510)</u>
Annual OPEB cost (expense)	16,279
Contributions made	<u>(3,379)</u>
Increase in net OPEB obligation	12,900
Net OPEB obligation, beginning of year	<u>149,809</u>
Net OPEB obligation, end of year	<u><u>\$ 162,709</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 14,564	\$ 3,396	23.32%	\$ 137,807
2013	15,401	3,399	22.07%	149,809
2014	16,279	3,379	20.76%	162,709

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(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2013	\$ -	\$ 125,297	\$ 125,297	0.00%	\$ 2,520,781	4.97%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial nine percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2013, was 24 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

ASCIP's member agencies are members of the Schools Excess Liability Fund (SELF) public entity risk pool. Member agencies pay an annual premium to SELF for excess insurance coverage for liability claims from \$5,000,001 to \$25,000,000. The relationship between ASCIP and SELF is such that SELF is not a component unit of ASCIP for financial reporting purposes. The governing board consists of elected representative of the members by region.

SELF has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between SELF and ASCIP are included in these statements. The payments to SELF for the year ended June 30, 2014, were \$3,879,885. Audited financial statements are available from SELF at their website, www.selfjpa.org.

NOTE 12 - CONTINGENCIES

ASCIP is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of ASCIP.

Required Supplementary Information

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS (A Joint Powers Authority)

CLAIMS DEVELOPMENT INFORMATION JUNE 30, 2014

The following tables illustrate how ASCIP's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by ASCIP as of the end of each of the years. The rows of the table are defined as follows:

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

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**CLAIMS DEVELOPMENT INFORMATION
PROPERTY AND LIABILITY PROGRAM
JUNE 30, 2014**

***CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)***

	June 30,			
	2005	2006	2007	2008
(1) Required contribution and investment revenue:				
Earned	\$ 42,361	\$ 42,260	\$ 50,449	\$ 55,639
Ceded	(14,607)	(11,099)	(12,308)	(12,383)
Net earned	<u>27,754</u>	<u>31,161</u>	<u>38,141</u>	<u>43,256</u>
(2) Unallocated expenses	<u>4,970</u>	<u>6,957</u>	<u>7,439</u>	<u>7,646</u>
(3) Estimated claims and expenses, end of policy year:				
Incurred	23,110	23,853	27,470	31,435
Ceded	-	-	-	-
Net incurred	<u>23,110</u>	<u>23,853</u>	<u>27,470</u>	<u>31,435</u>
(4) Net paid (cumulative) as of:				
June 30, 2005	1,487	-	-	-
June 30, 2006	7,567	2,526	-	-
June 30, 2007	16,155	5,916	2,247	-
June 30, 2008	20,317	15,320	7,213	3,381
June 30, 2009	22,948	21,856	16,593	12,743
June 30, 2010	23,445	23,646	22,690	22,225
June 30, 2011	23,766	24,379	23,573	28,860
June 30, 2012	24,457	24,510	26,704	29,577
June 30, 2013	24,662	25,612	31,133	33,122
June 30, 2014	<u>24,758</u>	<u>25,803</u>	<u>31,211</u>	<u>33,595</u>
(5) Re-estimated ceded claims and expenses:	<u>7,664</u>	<u>7,999</u>	<u>7,413</u>	<u>11,191</u>
(6) Re-estimated net incurred claims and expenses:				
June 30, 2005	23,110	-	-	-
June 30, 2006	21,662	23,853	-	-
June 30, 2007	23,950	21,957	27,470	-
June 30, 2008	25,226	22,392	24,768	31,435
June 30, 2009	25,164	24,706	25,341	32,397
June 30, 2010	24,201	25,146	26,560	34,227
June 30, 2011	24,034	25,539	26,021	33,902
June 30, 2012	24,622	25,918	27,287	32,582
June 30, 2013	24,903	26,288	31,974	35,707
June 30, 2014	<u>25,168</u>	<u>26,372</u>	<u>32,216</u>	<u>35,450</u>
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	<u>\$ (2,058)</u>	<u>\$ (2,519)</u>	<u>\$ (4,746)</u>	<u>\$ (4,015)</u>

2009	2010	2011	2012	2013	2014
\$ 59,155	\$ 63,051	\$ 61,583	\$ 59,400	\$ 58,514	\$ 56,514
(12,151)	(12,206)	(11,620)	(11,617)	(11,448)	(13,759)
47,004	50,845	49,963	47,783	47,066	42,755
8,380	8,673	8,302	8,893	7,749	5,898
32,408	30,240	29,431	31,054	50,221	38,947
-	-	-	-	(9,402)	(1,599)
32,408	30,240	29,431	31,054	40,819	37,348
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,643	-	-	-	-	-
10,652	2,664	-	-	-	-
20,599	9,007	4,219	-	-	-
27,161	18,137	10,209	3,415	-	-
31,263	23,774	28,000	11,646	3,963	-
32,310	26,602	32,663	16,354	7,493	3,393
6,595	1,349	2,943	2,606	12,663	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
32,408	-	-	-	-	-
29,812	30,240	-	-	-	-
30,909	31,630	29,431	-	-	-
30,669	31,136	35,195	31,054	-	-
34,358	30,076	42,040	33,302	40,819	-
35,876	31,558	41,600	34,914	33,972	37,348
\$ (3,468)	\$ (1,318)	\$ (12,169)	\$ (3,860)	\$ 6,847	\$ -

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
JUNE 30, 2014**

***CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)***

	June 30,			
	2005	2006	2007	2008
(1) Required contribution and investment revenue:				
Earned	\$ 17,096	\$ 19,365	\$ 22,037	\$ 23,311
Ceded	(1,200)	(1,136)	(1,409)	(1,478)
Net earned	<u>15,896</u>	<u>18,229</u>	<u>20,628</u>	<u>21,833</u>
(2) Unallocated expenses	<u>1,389</u>	<u>1,656</u>	<u>2,248</u>	<u>2,585</u>
(3) Estimated claims and expenses, end of policy year:				
Incurred	9,357	7,877	7,947	9,727
Ceded	-	-	-	-
Net incurred	<u>9,357</u>	<u>7,877</u>	<u>7,947</u>	<u>9,727</u>
(4) Net paid (cumulative) as of:				
June 30, 2005	923	-	-	-
June 30, 2006	2,097	848	-	-
June 30, 2007	2,759	2,168	1,058	-
June 30, 2008	3,435	2,848	2,299	1,233
June 30, 2009	3,901	3,374	3,055	2,588
June 30, 2010	4,308	3,758	3,562	3,460
June 30, 2011	4,665	4,045	3,986	4,276
June 30, 2012	4,923	4,210	4,397	4,675
June 30, 2013	5,161	4,346	4,609	5,020
June 30, 2014	<u>5,498</u>	<u>4,558</u>	<u>4,786</u>	<u>5,311</u>
(5) Re-estimated ceded claims and expenses:	<u>1,342</u>	<u>3,212</u>	<u>4,177</u>	<u>5,086</u>
(6) Re-estimated net incurred claims and expenses:				
June 30, 2005	9,357	-	-	-
June 30, 2006	7,385	7,877	-	-
June 30, 2007	5,877	5,802	7,947	-
June 30, 2008	5,728	5,897	6,736	9,727
June 30, 2009	6,537	6,596	7,298	8,714
June 30, 2010	6,869	6,206	6,701	8,034
June 30, 2011	6,565	5,891	7,466	7,923
June 30, 2012	6,338	5,931	6,653	7,785
June 30, 2013	6,261	5,459	5,977	6,867
June 30, 2014	<u>6,300</u>	<u>5,766</u>	<u>6,042</u>	<u>6,873</u>
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	<u>\$ 3,057</u>	<u>\$ 2,111</u>	<u>\$ 1,905</u>	<u>\$ 2,854</u>

***Fully Insured**

2009	2010*	2011*	2012*	2013	2014
\$ 19,671	\$ 24,208	\$ 25,343	\$ 26,101	\$ 27,774	\$ 28,903
(9,146)	(14,688)	(16,721)	(16,787)	(1,321)	(1,397)
10,525	9,520	8,622	9,314	26,453	27,506
3,019	3,201	3,619	4,010	5,304	9,853
683	-	-	-	25,718	30,055
-	-	-	-	(2,385)	(9,296)
683	-	-	-	23,333	20,759
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,450	-
135	-	-	-	5,008	2,445
12,245	-	-	-	8,314	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
683	-	-	-	-	-
795	-	-	-	-	-
719	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	23,333	-
667	-	-	-	18,451	20,759
\$ 16	\$ -	\$ -	\$ -	\$ 4,882	\$ -

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**CLAIMS DEVELOPMENT INFORMATION
MEDICAL PROGRAM
JUNE 30, 2014**

***CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)***

	<u>2012</u>	<u>2013</u>	<u>2014</u>
(1) Required contribution and investment revenue:			
Earned	\$ 50,720	\$ 67,783	\$ 75,751
Ceded	<u>(31,819)</u>	<u>(1,607)</u>	<u>(2,105)</u>
Net earned	<u>18,901</u>	<u>66,176</u>	<u>73,646</u>
(2) Unallocated expenses	<u>2,039</u>	<u>1,912</u>	<u>2,080</u>
(3) Estimated claims and expenses, end of policy year:			
Incurred	14,332	13,104	13,777
Ceded	<u>-</u>	<u>-</u>	<u>-</u>
Net incurred	<u>14,332</u>	<u>13,104</u>	<u>13,777</u>
(4) Net paid (cumulative) as of:			
June 30, 2012	13,024	-	-
June 30, 2013	13,679	12,188	-
June 30, 2014	<u>13,679</u>	<u>13,842</u>	<u>12,962</u>
(5) Re-estimated ceded claims and expenses:	<u>-</u>	<u>-</u>	<u>-</u>
(6) Re-estimated net incurred claims and expenses:			
June 30, 2012	14,332	-	-
June 30, 2013	13,583	13,104	-
June 30, 2014	<u>13,679</u>	<u>13,886</u>	<u>13,777</u>
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	<u>\$ 653</u>	<u>\$ (782)</u>	<u>\$ -</u>

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**CLAIMS DEVELOPMENT INFORMATION
DENTAL PROGRAM
JUNE 30, 2014**

*CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (in Thousands)*

	June 30,		
	2012	2013	2014
(1) Required contribution and investment revenue:			
Earned	\$ 42,881	\$ 41,068	\$ 40,934
Ceded	(2,498)	-	-
Net earned	<u>40,383</u>	<u>41,068</u>	<u>40,934</u>
(2) Unallocated expenses	<u>3,269</u>	<u>2,789</u>	<u>2,667</u>
(3) Estimated claims and expenses, end of policy year:			
Incurred	35,371	31,931	31,951
Ceded	-	-	-
Net incurred	<u>35,371</u>	<u>31,931</u>	<u>31,951</u>
(4) Net paid (cumulative) as of:			
June 30, 2012	31,652	-	-
June 30, 2013	36,975	29,808	-
June 30, 2014	<u>36,975</u>	<u>34,059</u>	<u>30,152</u>
(5) Re-estimated ceded claims and expenses:	<u>-</u>	<u>-</u>	<u>-</u>
(6) Re-estimated net incurred claims and expenses:			
June 30, 2012	35,371	-	-
June 30, 2013	36,981	31,931	31,951
June 30, 2014	<u>36,975</u>	<u>34,059</u>	<u>31,951</u>
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	<u>\$ (1,604)</u>	<u>\$ (2,128)</u>	<u>\$ -</u>

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**CLAIMS DEVELOPMENT INFORMATION
VISION PROGRAM
JUNE 30, 2014**

*CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (in Thousands)*

	June 30,		
	2012	2013	2014
(1) Required contribution and investment revenue:			
Earned	\$ 4,118	\$ 3,927	\$ 3,847
Ceded	(30)	-	-
Net earned	<u>4,088</u>	<u>3,927</u>	<u>3,847</u>
(2) Unallocated expenses	<u>672</u>	<u>643</u>	<u>584</u>
(3) Estimated claims and expenses, end of policy year:			
Incurred	3,100	3,250	2,987
Ceded	-	-	-
Net incurred	<u>3,100</u>	<u>3,250</u>	<u>2,987</u>
(4) Net paid (cumulative) as of:			
June 30, 2012	2,985	-	-
June 30, 2013	3,397	3,125	-
June 30, 2014	<u>3,397</u>	<u>3,251</u>	<u>2,875</u>
(5) Re-estimated ceded claims and expenses:	<u>-</u>	<u>-</u>	<u>-</u>
(6) Re-estimated net incurred claims and expenses:			
June 30, 2012	3,100	-	-
June 30, 2013	3,397	3,250	2,987
June 30, 2014	<u>3,397</u>	<u>3,251</u>	<u>2,987</u>
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	<u>\$ (297)</u>	<u>\$ (1)</u>	<u>\$ -</u>

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**CLAIMS DEVELOPMENT INFORMATION
CIPA-OCIP PROGRAM
JUNE 30, 2014**

***CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (in Thousands)***

	2007	2008	2009	2010	2011	2012	2013	2014
(1) Required contribution and investment revenue:								
Earned	\$ 2,656	\$ 3,129	\$ 3,049	\$ 3,130	\$ 4,504	\$ 3,204	\$ 2,113	\$ 2,504
Ceded	(1,257)	(1,008)	(598)	(1,778)	(1,179)	(1,422)	(152)	(965)
Net earned	1,399	2,121	2,451	1,352	3,325	1,782	1,961	1,539
(2) Unallocated expenses	584	611	714	720	1,029	329	686	675
(3) Estimated claims and expenses, end of policy year:								
Incurred	739	484	858	563	1,690	672	408	670
Ceded	-	-	-	-	-	-	-	-
Net incurred	739	484	858	563	1,690	672	408	670
(4) Net paid (cumulative) as of:								
June 30, 2007	156	-	-	-	-	-	-	-
June 30, 2008	270	56	-	-	-	-	-	-
June 30, 2009	390	64	166	-	-	-	-	-
June 30, 2010	618	77	351	52	-	-	-	-
June 30, 2011	676	95	487	179	233	-	-	-
June 30, 2012	873	87	683	255	867	108	-	-
June 30, 2013	883	120	834	371	1,242	377	120	-
June 30, 2014	959	128	899	515	1,780	411	349	19
(5) Re-estimated ceded claims and expenses:	-	-	-	-	-	-	-	-
(6) Re-estimated net incurred claims and expenses:								
June 30, 2007	304	-	-	-	-	-	-	-
June 30, 2008	587	78	-	-	-	-	-	-
June 30, 2009	681	64	369	-	-	-	-	-
June 30, 2010	927	106	446	119	-	-	-	-
June 30, 2011	923	110	604	294	1,297	-	-	-
June 30, 2012	882	97	775	375	1,943	290	-	-
June 30, 2013	883	157	908	529	2,329	432	408	-
June 30, 2014	1,085	128	1,086	660	3,585	758	848	670
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	\$ (346)	\$ 356	\$ (228)	\$ (97)	\$ (1,895)	\$ (86)	\$ (440)	\$ -

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
JUNE 30, 2014**

	Property/Liability		Workers' Compensation	
	2013	2014	2013	2014
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 88,861,706	\$ 86,334,181	\$ 13,397,559	\$ 32,137,400
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	40,819,814	38,946,123	23,333,339	20,758,733
Increases (decreases) in provision for insured events of prior fiscal years	(10,410,699)	(6,625,416)	(691,159)	(7,538,927)
Total Incurred Claims and Claim Adjustment Expenses	30,409,115	32,320,707	22,642,180	13,219,806
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	3,963,199	3,393,092	2,450,464	2,444,817
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	28,973,441	15,016,746	1,451,875	4,063,044
Total Payments	32,936,640	18,409,838	3,902,339	6,507,861
Total unpaid claims and claim adjustment expenses at end of fiscal year	\$ 86,334,181	\$ 100,245,050	\$ 32,137,400	\$ 38,849,345

Medical Programs		Dental/Vision Programs		CIPA/OCIP Program		Total	
2013	2014	2013	2014	2013	2014	2013	2014
\$ 1,475,105	\$ 1,021,743	\$ 3,722,430	\$ 2,491,118	\$ 2,977,996	\$ 3,443,185	\$ 110,434,796	\$ 125,427,627
13,104,093	13,777,031	35,180,615	34,937,754	408,036	670,133	112,845,897	109,089,774
1,687,261	988,884	1,571,554	(238,023)	1,564,023	306,056	(6,279,020)	(13,107,426)
14,791,354	14,765,915	36,752,169	34,699,731	1,972,059	976,189	106,566,877	95,982,348
12,188,427	12,961,987	32,933,266	33,026,841	120,394	19,094	51,655,750	51,845,831
3,056,289	1,924,324	5,050,215	2,061,691	1,386,476	1,094,442	39,918,296	24,160,247
15,244,716	14,886,311	37,983,481	35,088,532	1,506,870	1,113,536	91,574,046	76,006,078
\$ 1,021,743	\$ 901,347	\$ 2,491,118	\$ 2,102,317	\$ 3,443,185	\$ 3,305,838	\$ 125,427,627	\$ 145,403,897

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Authority)**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2008	\$ -	\$ 82,461	\$ 82,461	0.00%	\$ 2,030,180	4.06%
July 1, 2010	-	109,814	109,814	0.00%	2,241,109	4.90%
July 1, 2011	-	101,124	101,124	0.00%	2,343,572	4.31%
July 1, 2012	-	112,796	112,796	0.00%	2,284,218	4.94%
July 1, 2013	-	125,297	125,297	0.00%	2,520,781	4.97%

Supplementary Information

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014**

	Property/ Liability Fund	Workers' Compensation Fund	Health Benefits Fund	CIPA-OCIP Fund	Total
ASSETS					
Cash and cash equivalents	\$ 64,721,681	\$ 59,374,334	\$ 25,868,469	\$ 1,701,174	\$ 151,665,658
Receivables	1,473,566	1,395,778	189,812	399,445	3,458,601
Investments maturing within one year, net of restricted assets	4,325,314	2,862,570	-	-	7,187,884
Restricted assets - investments	5,016,563	-	-	-	5,016,563
Prepaid expenses and deposits	141,131	-	1,925,000	747,871	2,814,002
Total Current Assets	<u>75,678,255</u>	<u>63,632,682</u>	<u>27,983,281</u>	<u>2,848,490</u>	<u>170,142,708</u>
Investments, net of amount maturing within one year	95,247,326	63,036,366	-	5,047,682	163,331,374
Capital assets	7,462,765	-	-	-	7,462,765
Less: Accumulated depreciation	(2,012,288)	-	-	-	(2,012,288)
Net capital assets	<u>5,450,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,450,477</u>
Total Non-Current Assets	<u>100,697,803</u>	<u>63,036,366</u>	<u>-</u>	<u>5,047,682</u>	<u>168,781,851</u>
Total Assets	<u>176,376,058</u>	<u>126,669,048</u>	<u>27,983,281</u>	<u>7,896,172</u>	<u>338,924,559</u>
LIABILITIES					
Accounts payable	949,287	494,605	3,441,086	372,028	5,257,006
Advance SIR and excess insurance payments	4,507,216	-	-	-	4,507,216
Unearned premium income	-	-	655	2,131,043	2,131,698
Current portion of unpaid claims	19,000,000	7,000,000	3,003,664	1,113,536	30,117,200
Unallocated claims adjustment expenses	4,255,336	6,765,104	222,566	304,322	11,547,328
Retrospective premium payable	-	3,016,177	-	-	3,016,177
OPEB liability	72,555	31,836	58,318	-	162,709
Licensing agreement obligation	113,875	-	-	-	113,875
Risk management deposit fund	14,237,385	5,386,757	-	-	19,624,142
Safety credit payable	362,652	203,311	-	-	565,963
SELF rate stabilization fund	198,295	-	-	-	198,295
Total Current Liabilities	<u>43,696,601</u>	<u>22,897,790</u>	<u>6,726,289</u>	<u>3,920,929</u>	<u>77,241,609</u>
Unpaid claims and claims adjustment expenses, net of current portion	81,245,050	31,849,345	-	2,192,302	115,286,697
Total Liabilities	<u>124,941,651</u>	<u>54,747,135</u>	<u>6,726,289</u>	<u>6,113,231</u>	<u>192,528,306</u>
NET POSITION					
Net investment in capital assets	5,450,477	-	-	-	5,450,477
Restricted	5,016,563	-	-	-	5,016,563
Unrestricted	40,967,367	71,921,913	21,256,992	1,782,941	135,929,213
Total Net Position	<u>\$ 51,434,407</u>	<u>\$ 71,921,913</u>	<u>\$ 21,256,992</u>	<u>\$ 1,782,941</u>	<u>\$ 146,396,253</u>

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Property/ Liability Fund	Workers' Compensation Fund	Health Benefits Fund	CIPA-OCIP Fund	Total
REVENUES					
Premium deposits from members	\$ 53,842,045	\$ 30,742,875	\$ 120,402,448	\$ 2,475,606	\$ 207,462,974
Less: Retrospective premium deposit ratings adjustment	-	(3,016,177)	-	-	(3,016,177)
	53,842,045	27,726,698	120,402,448	2,475,606	204,446,797
Other income	936,791	1,089	6,529	-	944,409
Total Operating Revenues	54,778,836	27,727,787	120,408,977	2,475,606	205,391,206
EXPENSES					
Claims expense, net of reimbursements of \$5,248,308	18,409,838	6,507,861	49,974,843	1,113,535	76,006,077
Provision for IBNR and case reserves	13,910,869	6,711,945	(509,197)	(137,346)	19,976,271
Excess/reinsurance premiums	13,759,395	1,396,855	2,105,098	964,732	18,226,080
Insurance premiums	-	-	58,172,974	-	58,172,974
Contract services					
Claims administration	1,641,093	2,181,088	2,942,573	69,000	6,833,754
Provision for ULAE reserves	955,336	5,158,234	(36,225)	-	6,077,345
Broker's fees	320,250	137,250	-	369,044	826,544
General counsel services	275,256	-	-	3,885	279,141
Captive management	-	-	-	58,639	58,639
OCIP Program Marketing/Sale	-	-	-	38,516	38,516
Rating and actuarial services	89,550	41,163	200,000	9,500	340,213
Accounting and audit services	58,311	-	-	35,049	93,360
Investment advisory service	172,827	-	-	12,902	185,729
Salaries and benefits	1,676,771	772,529	1,210,144	-	3,659,444
Property appraisal	279,584	-	-	-	279,584
Other contract services	245,804	59,905	35,315	-	341,024
Loss control and risk management	2,502,297	800,652	397,770	-	3,700,719
Other operating	(28,819)	662,019	545,007	70,524	1,248,731
Interest	106,930	40,229	-	7,500	154,659
Depreciation	302,620	-	-	-	302,620
Total Operating Expenses	54,677,912	24,469,730	115,038,302	2,615,480	196,801,424
Operating Income (Expense)	100,924	3,258,057	5,370,675	(139,874)	8,589,782
NON-OPERATING REVENUES (EXPENSE)					
Interest and dividend income	\$ 973,956	\$ 695,448	\$ 123,071	\$ 22,753	\$ 1,815,228
Net realized gains	165,703	104,392	-	1,274	271,369
Net unrealized losses	595,579	375,210	-	4,327	975,116
Total Non-Operating Income	1,735,238	1,175,050	123,071	28,354	3,061,713
CHANGE IN NET POSITION	1,836,162	4,433,107	5,493,746	(111,520)	11,651,495
NET POSITION, BEGINNING OF YEAR	49,598,245	67,488,806	15,763,246	1,894,461	134,744,758
NET POSITION, END OF YEAR	\$ 51,434,407	\$ 71,921,913	\$ 21,256,992	\$ 1,782,941	\$ 146,396,253

**ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS
(A Joint Powers Entity)**

**COMBINING STATEMENT OF CASH FLOWS
JUNE 30, 2014**

	Property/ Liability Fund	Workers' Compensation Fund	Health Benefits Fund	CIPA-OCIP Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received for premium contributions and other income	\$ 55,017,469	\$ 26,332,009	\$ 120,357,467	\$ 2,208,858	\$ 203,915,803
Claims paid	(18,409,838)	(6,507,861)	(49,974,843)	(1,113,536)	(76,006,078)
Cash paid to employees	(1,676,771)	(772,529)	(1,210,143)	-	(3,659,443)
Cash paid for benefits, insurance and other expenses	(14,239,273)	(5,468,055)	(64,156,378)	(1,610,437)	(85,474,143)
Net Cash Provided (Used) by Operating Activities	20,691,587	13,583,564	5,016,103	(515,115)	38,776,139
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(186,746)	-	-	-	(186,746)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividend income received	973,956	695,448	123,071	22,753	1,815,228
Net realized gains from investing securities	(165,703)	(104,392)	-	(1,274)	(271,369)
Net unrealized gains from investing securities	(595,579)	(375,210)	-	(4,327)	(975,116)
Purchase of investments	(125,474,647)	(82,939,136)	-	-	(208,413,783)
Proceeds from sales and maturities of investments	113,887,600	72,813,383	-	49,012	186,749,995
Net Cash Provided (Used) by Investing Activities	(11,374,373)	(9,909,907)	123,071	66,164	(21,095,045)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,130,468	3,673,657	5,139,174	(448,951)	17,494,348
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,591,213	55,700,677	20,729,295	2,150,125	134,171,310
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 64,721,681	\$ 59,374,334	\$ 25,868,469	\$ 1,701,174	\$ 151,665,658
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 100,924	\$ 3,258,057	\$ 5,370,675	\$ (139,874)	\$ 8,589,782
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	302,620	-	-	-	302,620
(Increase) Decrease in accounts receivable	(255,878)	(1,395,778)	(51,338)	172,143	(1,530,851)
(Increase) Decrease in internal balances	500,000	-	-	(500,000)	-
(Increase) Decrease in prepaids and deposits	(364)	-	7,951	(434,831)	(427,244)
Increase in accounts payable and other liabilities	4,949,099	64,181	234,409	71,207	5,318,896
Increase (Decrease) in unearned revenue	(5,125)	-	(3,843)	495,940	486,972
Increase (Decrease) in unpaid claims and adjustments	14,866,205	11,870,179	(545,422)	(179,700)	26,011,262
Increase (Decrease) in risk management deposit fund and OPEB	234,106	(213,075)	3,671	-	24,702
Net Cash Provided (Used) by Operating Activities	\$ 20,691,587	\$ 13,583,564	\$ 5,016,103	\$ (515,115)	\$ 38,776,139

Independent Auditor's Report



**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***

Governing Board
Alliance of Schools for Cooperative Insurance Programs (ASCIP)
(A Joint Powers Authority)
Cerritos, 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 Alliance of Schools for Cooperative Insurance Programs (ASCIP) and subsidiaries (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Alliance of Schools for Cooperative Insurance Programs' basic financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASCIP'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASCIP's internal control. Accordingly, we do not express an opinion on the effectiveness of ASCIP's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Jino, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2014