SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

ANNUAL FINANCIAL REPORT

JUNE 30, 2015 AND 2014

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY

JOINT POWERS AUTHORITY

JUNE 30, 2015

BOARD OF DIRECTORS

REPRESENTATIVE	OFFICE HELD	MEMBER
Mr. Jeff Trader	President	Newport Mesa Unified School District
Ms. Ann Kantor	Vice President	Orange County Department of Education
Ms. Barbara Ott	Secretary-Treasurer	Brea-Olinda Unified School District
Mr. David Giordano	Member	Brea-Olinda Unified School District
Mr. Paul Reed	Member	Newport Mesa Unified School District
Dr. Conroy	Member	Ocean View School District
Ms. Pam Bridges	Member	Ocean View School District

ADMINISTRATION

Mr. Russell O'Donnell	JPA Manager

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

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JUNE 30, 2015

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Southern Orange County Property/Liability
Joint Powers Authority
Brea, California

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Orange County Property/Liability Joint Powers Authority (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Authority'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 Authority'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 opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southern Orange County Property/Liability Joint Powers Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and claims development information on pages 20 and 21 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 Southern Orange County Property/Liability Joint Powers Authority's basic financial statements. The accompanying schedule of member premiums is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedule of member premiums is 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 October 19, 2015, on our consideration of the Southern Orange County Property/Liability Joint Powers Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Orange County Property/Liability Joint Powers Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 19, 2015

Southern Orange County
Property/Liability JPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Southern Orange County Property/Liability Joint Power Authority (SOCPLJPA) is a public school consortium formed pursuant to *Government Code* 965 et seq. Created in July 1981, SOCPLJPA was formed for the purpose of pooling property and liability losses and ancillary coverage and for purchasing excess insurance and risk management products and service on a collective basis. Currently the pool is administered and purchases excess insurance coverage through the Alliance of Schools for Cooperative Insurance Programs (ASCIP), which also provides risk management and program administration services for the pool. The pool currently is comprised of four members, having a combined average daily attendance of 45,578 and total insured values in the amount of $950 million.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

SOCPLJPA's financial statements are prepared in conformity with generally accepted accounting principles. 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 SOCPLJPA'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 SOCPLJPA is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Position provides information on total revenues, total expenses, and how SOCPLJPA'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 SOCPLJPA based on the inflow and outflow of cash.

Vavrinek, Trine, Day & Co., LLP Certified Public Accountants has performed an independent audit of SOCPLJPA's financial statements in accordance with generally accepted auditing standards. The opinion of their audit is included in this report. Rivelle Consulting Services provides an independent actuarial review of the property/liability program, which confirms the adequacy and reasonableness of the outstanding claims liabilities recorded at the end of each year.

16550 Bloomfield Avenue, Cerritos, CA 90703, Telephone (562) 404-8029 Fax (562) 404-8038

ANALYSIS OF SIGNIFICANT VARIATION BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS

June 30, 2015

	Original Budget	Final Budget	Budget Variance	Actual	Dollar Variance
Revenue:					
Premium deposits by members	$ 2,483,146	$ 2,483,146	0%	$ 2,483,146	$ -
Excess insurance	(2,046,685)	(2,046,685)	0%	(2,046,685)	-
District deductibles	200,000	200,000	0%	123,734	(76,266)
Interest income	12,000	12,000	0%	18,507	6,507
Total Revenue	**648,461**	**648,461**	**0%**	**578,702**	**(69,759)**
Expenditures:					
Self-insurance	450,000	450,000	0%	215,424	234,576
Administrative services	66,250	66,250	0%	66,250	-
Other operating expense	27,500	27,500	0%	9,809	17,691
Premium rebate	-	-	0%	-	-
Total Expenditures	**543,750**	**543,750**	**0%**	**291,483**	**252,267**
Net Increase in Net Position	**$ 104,711**	**$ 104,711**	**0%**	**$ 287,219**	**$ 182,508**

- There were no variances between the original budget and the final budget since SOCPLJPA did not have any budget revisions during the year.
- District deductibles were lower than what was budgeted mainly due to lower claims payments.
- The increase from budgeted to actual interest income is due to a higher rate of return than was anticipated at the beginning of the year.
- The actual self-insurance expense was lower than budget mainly due to the decrease in provision for loss reserves.
- Overall, there were no major variances in administrative expenses from budget to actual.

June 30, 2014

	Original Budget	Final Budget	Budget Variance	Actual	Dollar Variance
Revenue:					
Premium deposits by members	$ 2,526,395	$ 2,526,395	0%	$ 2,526,395	$ -
Excess insurance	(2,112,592)	(2,112,592)	0%	(2,112,592)	-
District deductibles	80,000	80,000	0%	97,368	17,368
Interest income	8,000	8,000	0%	13,429	5,429
Total Revenue	**501,803**	**501,803**	**0%**	**524,600**	**22,797**
Expenditures:					
Self-insurance	300,000	300,000	0%	387,843	(87,843)
Administrative services	66,250	66,250	0%	66,250	-
Other operating expense	32,500	32,500	0%	11,669	20,831
Premium rebate	-	-	0%	313,965	(313,965)
Total Expenditures	**398,750**	**398,750**	**0%**	**779,727**	**(380,977)**
Net Increase (Decrease) in Net Position	**$ 103,053**	**$ 103,053**	**0%**	**$ (255,127)**	**$ (358,180)**

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

SOCPLJPA's total assets increased $170,538 from $1,773,710 at June 30, 2014, to $1,944,248 at June 30, 2015. The increase was mainly due to the increase in cash deposits with the county treasury at the end of the year.

Prior to fiscal year 2003-2004, SOCPLJPA has always deposited all its monies with the county treasury. In 2003-2004, the Board of Directors revised SOCPLJPA's investment policy allowing the JPA to invest excess funds with the ASCIP, a public entity risk pool that is authorized to make investments that are legally permissible under the *California Government Code*, Section 53601. At the end of fiscal year 2014-2015, SOCPLJPA had a total investment of $1,633,907 with ASCIP.

Total liabilities decreased by $116,681 from $431,429 as of June 30, 2014, to $314,748 as of June 30, 2015. This decrease was primarily due to the decrease in outstanding claims liabilities. As of June 30, 2015, SOCPLJPA had an outstanding claims liability of $295,036, decreased by $102,357 from the prior year. According to the actuary, the decrease in outstanding claims liability was primarily due to the decrease in case reserve. The outstanding claims liability of $295,036 does not include any provision for Unallocated Loss Adjustment Expense (ULAE). Prior to fiscal year 2004-2005, SOCPLJPA had established a provision for ULAE of $3,000 to pay for claims administration fees associated with claims incurred by SOCPLJPA before SOCPLJPA joined ASCIP. As of June 30, 2015, no provision for ULAE has been established since SOCPLJPA does not have any more open claims prior to joining ASCIP in 1995-1996.

Member contributions decreased by $43,249 from the prior year to $2,483,146, mainly due to a decrease in excess insurance premiums paid to ASCIP and Schools Excess Liability Fund (SELF) as a result of the decrease in exposure data.

The decrease of $514,610 in total expenditures from $682,359 in 2013-2014 to $167,749 in 2014-2015 was largely due to the decrease in claims payment and premium rebate. Annually, the Board of Directors evaluates the SOCPLJPA's undesignated fund equity and approves a premium rebate to its members when appropriate. In 2014-2015, after careful consideration, the Board made a decision to declare no premium rebate. Other administrative expenses were held constant from the prior year.

Net position increased by $287,219 to an ending balance of $1,629,500 at June 30, 2015. In summary, the decrease in claims payments and no premium rebate contributed to the increase in net assets.

STATEMENT OF NET POSITION

	2015	2014
ASSETS		
Current assets	$ 1,944,248	$ 1,773,710
LIABILITIES		
Current liabilities	314,748	191,036
Unpaid claims and claims adjustment expense, non-current	-	240,393
Total Liabilities	314,748	431,429
NET POSITION		
Net position, undesignated	1,629,500	1,342,281
Total Net Position	$ 1,629,500	$ 1,342,281

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2015	2014
Operating Revenues:		
Member contributions	$ 2,483,146	$ 2,526,395
Excess insurance premiums	(2,046,685)	(2,112,592)
Total Operating Revenues	436,461	413,803
Operating Expenses:		
Provision for claims and claim adjustment expense	91,690	290,475
Contract services/administrative expenses	76,059	77,919
Premium rebate	-	313,965
Total Operating Expenses	167,749	682,359
Non-Operating Revenues:		
Interest income	18,507	13,429
Change in Net Position	287,219	(255,127)
Total Net Position, Beginning of Year	1,342,281	1,597,408
Total Net Position, End of Year	$ 1,629,500	$ 1,342,281

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of SOCPLJPA's finances and to show SOCPLJPA's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ms. Barbara Ott, Secretary-Treasurer, at Brea-Olinda Unified School District, Number One Civic Center Circle, P.O. Box 300, Brea, California 92821-300, or e-mail at bott@bousd.k12.ca.us.

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Current Assets	
Deposits and investments	$ 1,925,736
Receivables	18,512
Total Assets	1,944,248
LIABILITIES	
Current Liabilities	
Accounts payable	19,712
Current portion of unpaid claims and claim adjustment expenses	295,036
Total Liabilities	314,748
NET POSITION - UNRESTRICTED	$ 1,629,500

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

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2015

OPERATING REVENUES	
Contributions	$ 2,483,146
Excess insurance	(2,046,685)
Total Operating Revenues	436,461
OPERATING EXPENSES	
Claims paid, net of member deductibles of $123,734	194,047
Provision for loss reserves	(102,357)
	91,690
JPA administration	66,250
Other operating expenses	9,809
Total Operating Expenses	167,749
Operating Income	268,712
NON-OPERATING REVENUES	
Interest	2,068
Investment earnings, ASCIP	16,439
Total Non-Operating Revenues	18,507
CHANGE IN NET POSITION	287,219
NET POSITION, BEGINNING OF YEAR	1,342,281
NET POSITION, END OF YEAR	$ 1,629,500

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

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

STATEMENT OF CASH FLOWS
JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	$	2,483,146
Cash paid for claims and settlements		(205,309)
Cash paid for excess insurance		(2,046,685)
Cash paid to suppliers for goods and services		(76,063)
Net Cash Provided by Operating Activities		155,089
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income		18,516
NET CHANGE IN CASH AND CASH EQUIVALENTS		173,605
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,752,131
CASH AND CASH EQUIVALENTS, END OF YEAR	$	1,925,736
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	268,712
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in Assets and Liabilities:		
Increase in receivables		3,058
Decrease in accounts payable		(14,324)
Decrease in claims liabilities		(102,357)
Total Adjustments		(113,623)
Net Cash Provided by Operating Activities	$	155,089

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description

The Southern Orange County Property/Liability Joint Powers Authority (formerly Southern Orange County Property/Liability Self-Insurance Authority) was formed on July 1, 1981, under a joint powers agreement between participating local educational agencies located within Orange County, pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the *California Government Code*. The purpose of Southern Orange County Property/Liability Joint Powers Authority (the Authority) 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, 2015, there were four participants in the Authority self-insured program. Members may withdraw from the Authority after having completed a minimum of 36 consecutive months as a member of the Authority. A member may withdraw from its status as a member at the end of any fiscal year by notifying the Board of Directors in writing no later than December 31st of the fiscal year at the end of which the withdrawal is to be effective, pursuant to the terms and conditions of the governing bylaws. Irvine Unified School District withdrew as an active JPA participant effective July 1, 1991; however, on June 28, 1998, they affirmed their decision to remain as a terminated member of the JPA for the purpose of retroactive coverage continuation and participation in a revenue/(assessment) stream based on periodic equity/(assessment) distributions by the Board of Directors. The Orange Unified School District withdrew on July 1, 1995. The Capistrano-Laguna Beach Regional Occupation Program and Saddleback Valley Unified School District withdrew on July 1, 1996.

On February 5, 2015, the members of the Authority approved the termination of the Authority effective June 30, 2015, subject to the Authority continuing thereafter for the purpose of disposing of all obligations, distribution of assets, and such functions as necessary to conclude the affairs of the Authority. Each member will receive pro-rata share of any fund equity or will be liability for a pro-rata share of any debts and liabilities based upon the premiums and claims of the embers.

The Authority includes all funds and account groups that are controlled by or dependent on the Authority's governing board for financial reporting purposes. The Authority 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. The Authority determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Accounting

The accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with governmental accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses 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.

Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989, when preparing the financial statements.

C. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Authority considers deposits with the county treasurer and investments with Alliance of Schools for Cooperative Insurance Programs (ASCIP) to be cash equivalents.

D. Accounts Receivable

Accounts receivable generally includes investment earnings from deposits with the County Treasury and member deductibles. Management has analyzed these accounts and believes all amounts are fully collectible.

E. Unpaid Liabilities for Claims

The Authority 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, 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 coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, 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. A liability for unallocated loss adjustment expenses has not been provided for as the Authority's claims administration contract provides for the cost of administering the loss development, except for non-active members.

F. Member Premiums

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 determined that sufficient facts are known so that no additional calculations should be made.

G. Income Taxes

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

H. 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

Investments	
Investment in County Treasury	$ 291,829
Investment in ASCIP	1,633,907
Total Deposits and Investments	$ 1,925,736

B. Policies and Practices

The Authority 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.

C. Investment in County Treasury

The Authority is considered to be a voluntary participant in an external investment pool. The fair value of the Authority's investment in the pool is reported in the accounting financial statements at amounts based upon the Authority'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.

D. Investment in ASCIP

The Authority has deposited certain amounts with Alliance of Schools for Cooperative Insurance Programs (ASCIP). ASCIP is regulated by *California Government Code* Sections 16430, 53601 and 53635 (as is the Authority). The fair value of the Authority's investment in the pool is reported in the accompanying financial statement at amounts based upon the Authority's pro-rata share of the fair value provided by ASCIP for the entire ASCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is the carrying value, based upon historical cost. There is no formal written agreement between the Authority and ASCIP for this investment arrangement.

E. 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*, the Authority's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End Unrated
County Pool	$ 291,829	*	$ 291,829
ASCIP	1,633,907	*	1,633,907
Total	$ 1,925,736		$ 1,925,736

* Not required to be rated.

F. Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*. At June 30, 2015, there were no investments in any one issuer that represented five percent or more of total investments.

G. General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	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
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual 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
Placement Service Certificates	5 years	30%	None

H. 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 Authority 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 the Authority's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the Authority's investment by maturity:

Investment Type	Fair Value	Average Days to Maturity
County Pool	$ 291,829	370
ASCIP	1,633,907	7/1/15
Total	$ 1,925,736	

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, are as follows:

Member deductibles	
Newport Mesa Unified School District	$ 1,493
Ocean View School District	4,097
Orange County Department of Education	12,810
Investment earnings	112
Total	$ 18,512

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, are as follows:

Claims payable	$ 19,696
Trade accounts	16
Total	$ 19,712

NOTE 5 - CLAIMS LIABILITY

The Authority establishes claims liability 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. The Authority uses insurance agreements to reduce its exposure to large losses on property and liability coverage. The insurance agreement discharges the primary liability of the Authority as direct insurer of the risks insured above certain specified retentions.

The liability recorded for incurred losses of $295,036 is based on information obtained from an independent actuarial report. The supporting information provided by the Authority 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, 2015, is adequate, the ultimate settlement of claims and related expenses may vary from the liability recorded.

NOTE 6 - RECONCILIATION OF CLAIMS LIABILITY

As discussed in Note 5, the Authority 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 the Authority during the fiscal years ended June 30:

	2015	2014
Claims liabilities at beginning of fiscal year	$ 397,393	$ 262,799
Incurred expenses related to:		
Insured events of the current fiscal year	364,606	256,768
Insured events of prior fiscal years	(272,916)	33,707
Total Incurred Expenses	91,690	290,475
Payments related to:		
Insured events of the current fiscal year	140,416	6,142
Insured events of prior fiscal years	53,631	149,739
Total Payments	194,047	155,881
Claims liabilities at end of fiscal year	$ 295,036	$ 397,393

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

	2015	2014
Claims liability	$ 295,036	$ 397,393
Current portion	(295,036)	(157,000)
Non-current portion	$ -	$ 240,393

NOTE 7 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The Authority's member agencies are members of Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Excess Liability Fund (SELF) public entity risk pools. Member agencies pay an annual premium to ASCIP and SELF for property and liability coverage. The relationships between the Authority and ASCIP and SELF are such that ASCIP and SELF are not component units of the Authority for financial reporting purposes.

ASCIP and SELF have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between ASCIP and SELF and the Authority are included in these statements.

A. Entity	ASCIP	SELF
B. Purpose	Provides property and liability insurance	Arranges and provides excess insurance coverage for liability and property claims beyond that which is claimed elsewhere
C. Participants	Statewide educational entities	Statewide educational entities
D. Governing Board	Elected representatives from categories based upon members' ADA	Consisting of elected representative of the members by region
E. Payments During the Year	$ 1,877,542	$ 169,143

* Actually paid to ASCIP who remitted to SELF

REQUIRED SUPPLEMENTARY INFORMATION

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2015

The following table illustrates how the Authority's earned revenue (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of each of the past years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers and net earned contribution revenue and reported investment revenue. (2) This line shows each fiscal year's other operating costs of the Authority including overhead and claims expense not allocable to individual claims. (3) This line shows the Authority'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 is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2015

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

	2006	2007	2008
(1) Required contribution and investment revenue:			
Earned	$ 2,119,262	$ 2,181,165	$ 2,480,943
Ceded	(1,551,126)	(1,627,017)	(1,713,975)
Net earned	568,136	554,148	766,968
(2) Unallocated expenses:	74,734	78,384	74,081
(3) Estimated claims and expenses, end of policy year:			
Incurred	229,256	356,538	254,014
Ceded	-	-	-
Net incurred	229,256	356,538	254,014
(4) Net paid (cumulative) as of:			
June 30, 2004			
June 30, 2005			
June 30, 2006	23,112		
June 30, 2007	156,640	105,093	
June 30, 2008	202,723	180,997	63,855
June 30, 2009	306,604	296,892	170,074
June 30, 2010	216,929	218,180	128,665
June 30, 2011	216,929	218,180	128,893
June 30, 2012	216,929	218,180	128,893
June 30, 2013	216,929	218,180	128,893
June 30, 2014	216,929	218,180	128,893
June 30, 2015	216,929	218,180	128,893
(5) Re-estimated ceded claims and expenses:	-	-	-
(6) Re-estimated net incurred claims and expenses:			
June 30, 2004			
June 30, 2005			
June 30, 2006	229,256		
June 30, 2007	255,953	356,538	
June 30, 2008	232,484	280,997	254,014
June 30, 2009	306,604	296,892	239,698
June 30, 2010	216,929	218,180	146,746
June 30, 2011	216,929	218,180	178,152
June 30, 2012	216,929	218,180	128,893
June 30, 2013	216,929	218,180	128,893
June 30, 2014	216,929	218,180	128,893
June 30, 2015	216,929	218,180	128,893
(7) (Increase) decrease in estimated incurred claims			

June 30,						
2009	2010	2011	2012	2013	2014	2015
$ 2,361,430	$ 2,465,593	$ 2,523,060	$ 2,494,883	$ 2,520,048	$ 2,539,824	$ 2,501,653
(1,852,202)	(1,982,893)	(2,062,443)	(2,034,706)	(2,069,328)	(2,112,592)	(2,046,685)
509,228	482,700	460,617	460,177	450,720	427,232	454,968
73,653	74,654	74,773	75,136	76,363	77,919	76,059
381,686	293,883	336,136	210,081	214,727	256,768	364,606
-	-	-	-	-	-	-
381,686	293,883	336,136	210,081	214,727	256,768	364,606
119,428						
196,755	71,011					
200,067	141,027	127,684				
199,457	214,698	224,774	50,088			
225,804	227,391	270,695	111,816	110,870		
225,804	227,391	304,064	187,788	160,600	6,142	
225,804	227,391	304,064	196,403	244,387	65,216	140,416
-	-	-	-	-	-	-
381,686						
218,708	293,883					
156,263	220,268	336,136				
224,618	238,818	325,862	210,081			
225,804	227,391	337,752	198,056	214,727		
225,804	227,391	306,588	208,871	283,758	256,768	
225,804	227,391	304,064	196,403	244,387	136,062	364,606

SUPPLEMENTARY INFORMATION

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

MEMBER PREMIUMS
JUNE 30, 2015

	SOCP/LJPA Premium	ASCIP Premium	SELF Premium	Booster Premium	Total
Brea-Olinda Unified School District	$ 88,590	$ 241,909	$ 19,487	$ 1,569	$ 351,555
Newport Mesa Unified School District	186,574	922,874	73,228	4,659	1,187,335
Ocean View School District	114,244	391,194	30,210	-	535,648
Orange County Department of Education	47,053	315,337	46,218	-	408,608
	$ 436,461	$ 1,871,314	$ 169,143	$ 6,228	$ 2,483,146

INDEPENDENT AUDITOR'S REPORTS

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
Southern Orange County Property/Liability
Joint Powers Authority
Brea, 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 Southern Orange County Property/Liability Joint Powers Authority (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Southern Orange County Property/Liability Joint Powers Authority's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Orange County Property/Liability Joint Powers Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Orange County Property/Liability Joint Powers Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Orange County Property/Liability Joint Powers Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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.

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Compliance and Other Matters

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

Purpose of this Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
October 19, 2015

SCHEDULE OF FINDINGS

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

SCHEDULE OF FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

There were no findings related to the financial statements that are required to be reported in accordance with *Governmental Auditing Standards*.

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

There were no audit findings reported in the prior year's schedule of financial statement findings.