CALIFORNIA INSURANCE POOL AUTHORITY

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

NEWPORT BEACH, CALIFORNIA

JUNE 30, 2017

BOARD OF DIRECTORS

REPRESENTATIVE	MEMBER	OFFICE
Mark Aalders	City of Yorba Linda	President
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Monica Lo	City of Whittier	Treasurer/Secretary
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ADMINISTRATION

Janet Kiser	Kiser & Company	General Manager

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

TABLE OF CONTENTS
JUNE 30, 2017

FINANCIAL SECTION

Independent Auditors' Report 1

Management's Discussion and Analysis 4

Basic Financial Statements

Statement of Net Position 12

Statement of Revenues, Expenses and Changes in Net Position 13

Statement of Cash Flows 14

Notes to Financial Statements 15

REQUIRED SUPPLEMENTARY INFORMATION

Reconciliation of Claims Liabilities by Type of Coverage 27

Claims Development Information 29

Liability Program 30

Workers' Compensation Program 32

SUPPLEMENTARY INFORMATION

Combining Statement of Net Position 34

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 35

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 36

Financial Statement Findings 38

Summary Schedule of Prior Audit Findings 39

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Insurance Pool Authority
Newport Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the California Insurance Pool Authority (CIPA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CIPA'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

25231 Paseo De Alicia, Suite 100 Laguna Hills, CA 92653 Tel: 949.768.0833 www.vtdcpa.com Fax: 949.768.8408

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CIPA, as of June 30, 2017, and the 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 4 through 11, reconciliation of claims liabilities by type of coverage on page 27 and 28, and claims development information on pages 29 through 33 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 an opinion on the financial statements that collectively comprise CIPA's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in fund net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in fund net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 statement of net position and combining statement of revenues, expenses, and changes in fund net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the 2016 financial statements of CIPA, and we expressed an unmodified opinion on the financial statements in our report dated September 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of CIPA'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 CIPA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
September 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Description of the Basic Financial Statements

CIPA's financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. A Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are maintained along with the Notes to Financial Statements to clarify unique accounting policies. Separate enterprise funds are operated for the Liability and Workers' Compensation programs. The assets, liabilities, revenues, and expenses are reported on a full accrual basis.

The Statement of Net Position provides information on all CIPA program assets and liabilities, with the difference reported as Net Position. Net Position may be an indicator of the overall pool financial changes across years. The Statement of Revenues, Expenses and Changes in Net Position present information showing total revenues versus total expenses and the resulting effect on Net Position.

2016 to 2017 Analysis of Financial Position and Results of Operations

The overall net position decreased 26%. The Liability Program net position decreased 43% and the Workers' Co mpensation net position increased 7%. The following highlights the major changes:

- Cash and cash equivalents decreased $1,766,786 (56%). The reduction was primarily due to the use of LAIF funds for the payment of Liability claims which were higher than in previous years. At 6/30/16, the LAIF balance was $3,102,964 and was reduced to $1,086,723 at 6/30/17, a reduction of $2,016,241. The bank balance at 6/30/16 was $6,654 and $100,270 at 6/30/17. Cash equivalents held by Chandler were $21,348 at 6/30/16 and $177,185 at 6/30/17.

- Current receivables decreased $76,983 (18%) mainly due to a combined net reduction of $78,216 in the 2016/17 Liability and Workers' Compensation assessments due from members. The Liability assessment increased from $273,072 to $326,567. The Workers' Compensation assessment decreased from $114,057 to $13,677. The decrease in the Workers' Compensation assessment was due to the projected reduction in outstanding liability related to some high dollars claims.

  Additionally, in 2015/16, there was a payroll adjustment due from members in the amount of $28,795. There was no 2016/17 payroll adjustment due from members and instead a payroll adjustment of $11,243 was due to members.

- The increase in short term investments and decrease in noncurrent investments was $1,766,786 and $826,450 respectively. Short term securities increased as a result of a slight decrease in the portfolio's average maturity to 2.29 years from 2.31 years. The average monthly purchase yield increased to 1.30% in the current year from 1.15% in the prior year due to rising interest rates.

- Noncurrent receivables decreased $281,076 (17%). At 6/30/16, the noncurrent Workers' Compensation assessment was $418,460. At 6/30/17, the actuary projected a decrease in the non-current assessments due which resulted in unearned assessment of $392,532.

  The noncurrent Liability assessment increased by $208,387 to $1,353,958.

- Accounts payable increased from $4,625 at 6/30/16 to $12,292 at 6/30/17 due primarily to late receipt of reimbursement requests for 2016/17 safety services.

- The actuary projected a decrease in the non-current Workers' Compensation assessments resulting in unearned assessments. It is anticipated that the unearned assessments will be depleted as years with negative loss experience roll into upcoming assessment calculations.

- The Board elected not to declare dividends in the Liability Program this fiscal year due to increase in projected claims as calculated by the actuary. The Workers' Compensation Program is not yet eligible for dividends. Dividends are calculated and recommended by the actuary based on CIPA's Dividend and Assessment Allocation Plan Policy.

- Unpaid claims and claim adjustment expenses, noncurrent portion increased $4,560,582 (26%). The actuary projected an increase in the provision of loss reserves in the Liability Program of $4,212,495 due to adverse development of several claims. The Workers' Compensation program increased $348,087.

- The noncurrent portion of unpaid Liability Program claims and claims adjustment expenses increased $4,212,495 based on the status of claims and expected timing of payments.

  Contributions increased $457,193 (5%) primarily due to increase in liability pool premium as projected by the actuary and purchase of an additional $5,000,000 in excess liability limits.

- Paid claims increased $2,448,097 to total of $4,579,705. The majority of increase was in the liability program. Liability claims paid during 2015/16 totaled $1,552,113 compared to $4,016,554 in 2016/17. CIPA's average annual Liability claim payments for the prior five years, excluding 2016/17, has been $1,427,385. Workers' Compensation 2016/17 claim payments decreased $16,344 compared to 2015/16.

- Provision (credit) for loss reserves resulted from actuarial projection increasing outstanding liability losses to $4,212,495 and Workers' Compensation outstanding losses to $348,087.

- Litigation management expenses increased $27,097 (92%). The majority of increase related to legal review in preparation of a Member's appeal for coverage.

- Administration expenses increased $23,694 (20%). $18,562 of the increase was due to legal general counsel expenses. The Liability Memorandum of Coverage was reviewed by legal counsel and revised for the 2017/18 renewal. CIPA's policies and procedures were also reviewed by legal counsel and revised during the fiscal year. CIPA completed a scanning of historical documents during the year and incurred cost of scanning in amount of $2,580.

- Investment earnings net of fees declined from $652,640 to $42,503 due largely to market value adjustment. The increase in interest rates caused an unrealized loss in the market value of securities. The market value adjustment at 6/30/16 was a positive $319,496, and at 6/30/17 a negative $410,976. Excluding the market value adjustment, the total investment earnings, net of fees during 2016/17 were $417,001 compared to $267,133 in 2015/16.

- Joint Purchase Insurance decreased $418,859 due to property premium reduction as a result of changing brokers from Alliant Insurance Services to Aon. Lower premiums and broader coverage were obtained.

Contacting CIPA's Financial Management

The financial report is designed to provide our membership, investors, and creditors with a general overview of CIPA's finances and to show CIPA's accountability for the money it receives. If you have any questions about this report or need additional information, contact management at 366 San Miguel Drive, Suite 312, Newport Beach, California 92660.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position
June 30, 2017 and 2016

	2017	2016	2016-17 % Change
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,365,180	$ 3,131,966	-56%
Receivables	348,632	425,615	-18%
Short-term investments	6,924,001	5,172,943	34%
Total Current Assets	8,637,813	8,730,524	-1%
Noncurrent Assets			
Receivables	1,353,958	1,635,034	-17%
Investments	28,120,510	27,294,060	3%
Total Non-Current Assets	29,474,468	28,929,094	2%
Total Assets	38,112,281	37,659,618	1%
LIABILITIES			
Current Liabilities			
Accounts payable	12,292	4,625	166%
Due members	24,921	21,784	14%
Unearned assessments	392,532	-	100%
Dividends payable	-	275,396	-100%
Current portion of unpaid claims and claim adjustment expenses	3,106,796	3,106,796	0%
Total Current Liabilities	3,536,541	3,408,601	4%
Unpaid claims and claim adjustment expenses, noncurrent portion	22,259,305	17,698,723	26%
Total Liabilities	25,795,846	21,107,324	22%
NET POSITION			
Net Position-unrestricted	12,316,435	16,552,294	-26%
Total Net Position	$ 12,316,435	$ 16,552,294	-26%

Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016	2016-17 % Change
Operating Revenues:			
Contributions	$ 8,883,824	$ 8,426,631	5%
Contributions-prior year assessments	(332,935)	(757,691)	-56%
Excess insurance	(1,649,972)	(1,553,410)	6%
Joint purchase insurance	(1,619,002)	(2,037,861)	-21%
Other	-	250	-100%
Total Operating Revenues	5,281,915	4,077,919	30%
Operating Expenses:			
Claims paid	4,579,705	2,131,608	115%
Provision (credit) for loss reserves	4,560,582	3,224,915	41%
Litigation management services	56,639	29,542	92%
Risk management services	221,450	218,886	1%
Administration expenses	141,901	118,207	20%
Dividends	-	275,395	-100%
Total Operating Expenses	9,560,277	5,998,553	59%
Operating Income (loss)	(4,278,362)	(1,920,634)	123%
Nonoperating Revenues:			
Investment earnings net of fees	42,503	652,640	-93%
Increase (Decrease) in Net Position	(4,235,859)	(1,267,994)	234%
Net Position, Beginning of Year	16,552,294	17,820,288	-7%
Net Position, End of Year	$ 12,316,435	$ 16,552,294	-26%

FINANCIAL INFORMATION BY FUND

Statement of Net Position
June 30, 2017 and 2016

LIABILITY

	2017	2016	2016-17 % Change
ASSETS			
Current Assets			
Cash and cash equivalents	$ 797,155	$ 846,226	-6%
Receivables	332,171	275,177	21%
Short-term investments	3,621,346	3,065,486	18%
Total Current Assets	4,750,672	4,186,889	13%
Noncurrent Assets			
Receivables	1,353,958	1,145,571	18%
Investments	14,707,406	16,175,846	-9%
Total Non-Current Assets	16,061,364	17,321,417	-7%
Total Assets	20,812,036	21,508,306	-3%
LIABILITIES			
Current Liabilities			
Accounts payable	10,917	3,325	228%
Dividends payable	-	275,396	-100%
Current portion of unpaid claims and claim adjustment expenses	2,038,835	2,038,835	0%
Total Current Liabilities	2,049,752	2,317,556	-12%
Unpaid claims and claim adjustment expenses, noncurrent portion	12,678,276	8,465,781	50%
Total Liabilities	14,728,028	10,783,337	37%
NET POSITION			
Net Position-unrestricted	6,084,008	10,724,969	-43%
Total Net Position	$ 6,084,008	$ 10,724,969	-43%

Statement of Net Position
June 30, 2017 and 2016

WORKERS' COMPENSATION

	2017	2016	2016-17 % Change
ASSETS			
Current Assets			
Cash and cash equivalents	$ 568,025	$ 2,285,740	-75%
Receivables	16,461	150,438	-89%
Short-term investments	3,302,655	2,107,457	57%
Total Current Assets	3,887,141	4,543,635	-14%
Noncurrent Assets			
Receivables	-	489,463	-100%
Investments	13,413,104	11,118,214	21%
Total Non-current Assets	13,413,104	11,607,677	16%
Total Assets	17,300,245	16,151,312	7%
LIABILITIES			
Current Liabilities			
Accounts payable	1,375	1,300	6%
Due members	24,921	21,784	14%
Unearned assessments	392,532	-	100%
Current portion of unpaid claims and claim adjustment expenses	1,067,961	1,067,961	0%
Total Current Liabilities	1,486,789	1,091,045	36%
Unpaid claims and claim adjustment expenses, noncurrent portion	9,581,029	9,232,942	4%
Total Liabilities	11,067,818	10,323,987	7%
NET POSITION			
Net Position-unrestricted	6,232,427	5,827,325	7%
Total Net Position	$ 6,232,427	$ 5,827,325	7%

Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

LIABILITY

	2017	2016	2016-17 % Change
Operating Revenues:			
Contributions	$ 6,258,984	$ 5,903,986	6%
Contributions-prior year assessments	534,954	339,311	58%
Excess insurance	(1,336,690)	(1,260,297)	6%
Joint purchase insurance	(1,619,002)	(2,037,861)	-21%
Other	-	125	-100%
Total Operating Revenues	3,838,246	2,945,264	30%
Operating Expenses:			
Claims paid	4,016,554	1,552,113	159%
Provision (credit) for loss reserves	4,212,495	3,027,440	39%
Litigation management services	56,639	29,542	92%
Risk management services	110,725	109,443	1%
Administration expenses	98,963	74,642	33%
Dividends	-	275,395	-100%
Total Operating Expenses	8,495,376	5,068,575	68%
Operating Income (loss)	(4,657,130)	(2,123,311)	119%
Nonoperating Revenues:			
Investment earnings net of fees	16,169	384,972	-96%
Increase (Decrease) in Net Position	(4,640,961)	(1,738,339)	167%
Net Position, Beginning of Year	10,724,969	12,463,308	-14%
Net Position, End of Year	$ 6,084,008	$ 10,724,969	-43%

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended June 30, 2017 and 2016

WORKERS' COMPENSATION

	2017	2016	2016-17 % Change
Operating Revenues:			
Contributions	$ 2,624,840	$ 2,522,645	4%
Contributions-prior year assessments	(867,889)	(1,097,002)	-21%
Excess insurance	(313,282)	(293,113)	7%
Other	-	125	-100%
Total Operating Revenues	1,443,669	1,132,655	27%
Operating Expenses:			
Claims paid	563,151	579,495	-3%
Provision (credit) for loss reserves	348,087	197,475	76%
Risk management services	110,725	109,443	1%
Administration expenses	42,938	43,565	-1%
Total Operating Expenses	1,064,901	929,978	15%
Operating Income (loss)	378,768	202,677	87%
Nonoperating Revenues:			
Investment earnings net of fees	26,334	267,668	-90%
Increase (Decrease) in Net Position	405,102	470,345	-14%
Net Position, Beginning of Year	5,827,325	5,356,980	9%
Net Position, End of Year	$ 6,232,427	$ 5,827,325	7%

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

STATEMENT OF NET POSITION
(With Comparative Totals for the Year Ended June 30, 2016)

JUNE 30, 2017

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,365,180	$ 3,131,966
Receivables	348,632	425,615
Short-term investments	6,924,001	5,172,943
Total Current Assets	8,637,813	8,730,524
Noncurrent Assets		
Receivables	1,353,958	1,635,034
Investments	28,120,510	27,294,060
Total Noncurrent Assets	29,474,468	28,929,094
Total Assets	38,112,281	37,659,618
LIABILITIES		
Current Liabilities		
Accounts payable	12,292	4,625
Due members	24,921	21,784
Unearned assessments	392,532	-
Dividends payable	-	275,396
Current portion of unpaid claims and claim adjustment expenses	3,106,796	3,106,796
Total Current Liabilities	3,536,541	3,408,601
Unpaid claims and claim adjustment expenses, noncurrent portion	22,259,305	17,698,723
Total Liabilities	25,795,846	21,107,324
NET POSITION		
Unrestricted	12,316,435	16,552,294
Total Net Position	$ 12,316,435	$ 16,552,294

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

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(With Comparative Totals for the Year Ended June 30, 2016)

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
OPERATING REVENUES		
Contributions	$ 8,883,824	$ 8,426,631
Contributions-prior year assessments	(332,935)	(757,691)
Excess insurance	(1,649,972)	(1,553,410)
Joint purchase insurance	(1,619,002)	(2,037,861)
	5,281,915	4,077,669
Other	-	250
Total Operating Revenues	5,281,915	4,077,919
OPERATING EXPENSES		
Claims paid	4,579,705	2,131,608
Provision for loss reserves	4,560,582	3,224,915
Litigation management	56,639	29,542
Risk management services	221,450	218,886
Administration expenses	141,901	118,207
Dividends	-	275,395
Total Operating Expenses	9,560,277	5,998,553
Operating Income (loss)	(4,278,362)	(1,920,634)
NONOPERATING REVENUES		
Investment earnings net of fees	42,503	652,640
(DECREASE) IN NET POSITION	(4,235,859)	(1,267,994)
NET POSITION, BEGINNING OF YEAR	16,552,294	17,820,288
NET POSITION, END OF YEAR	$ 12,316,435	$ 16,552,294

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

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

STATEMENT OF CASH FLOWS
(With Comparative Totals for the Year Ended June 30, 2016)

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	$ 9,301,480	$ 8,801,536
Cash paid for claims and settlements	(4,579,705)	(2,131,608)
Cash paid for insurance	(3,268,974)	(3,591,271)
Cash paid to suppliers for goods and services	(412,323)	(369,400)
Cash paid to members	(272,259)	(713,295)
Net Cash Provided by Operating Activities	768,219	1,995,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(17,326,343)	(20,735,042)
Proceeds from maturities and sales of investment securities	14,748,835	19,112,524
Interest income	42,503	652,640
Net Cash Used by Investing Activities	(2,535,005)	(969,878)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,766,786)	1,026,084
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,131,966	2,105,882
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,365,180	$ 3,131,966
RECONCILIATION OF OPERATING (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)	$ (4,278,362)	$ (1,920,634)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Decrease in receivables	358,059	1,132,346
Increase/(Decrease) in accounts payable	7,667	(2,765)
Increase in claims liabilities	4,560,582	3,224,915
Decrease in dividends payable	(275,396)	(207,534)
(Decrease)/Increase in due members and unearned assessments	395,669	(230,366)
Total Adjustments	5,046,581	3,916,596
Net Cash Provided (Used) by Operating Activities	$ 768,219	$ 1,995,962

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description

The California Insurance Pool Authority (CIPA) was formed in 1978, under a Joint Powers Agreement pursuant to the provisions of Chapter 5 (beginning with Section 6500) of Division 7 of Title I of the State of California Government Code. CIPA is to provide risk management by arranging and administering programs for the pooling of self-insured losses and to purchase excess insurance coverage for its members. At June 30, 2017, the membership included thirteen cities.

The municipal liability self-insurance coverage, including automobile liability, arranged by CIPA for the members, includes protection for personal injury, property damage, and errors and omissions. The annual premium paid by each member for the liability program is determined by the actuary for CIPA and approved by the Board of Directors. The liability program is comprised of:

1. Risk-sharing pool - covers members' losses for the difference between the members' self-insured retention (SIR) and $3,000,000.

2. Insurance-purchasing pool - obtains excess insurance coverage from $3,000,000 to $38,000,000.

3. Costs of operations - includes administrative costs.

CIPA offers workers' compensation pooling with SIRs ranging between $300,000 and $500,000. CIPA pools members' losses for the difference between each city's SIR and $3,000,000. The pooled premium is recommended by an actuary and approved by the Board.

CIPA also provides a non-risk sharing insurance-purchasing pool for property, employee bonds, and boiler/machinery coverage.

As of June 30, 2017, membership in CIPA was as follows:

City of Arcadia
City of Brea
City of Buena Park
City of Cypress
City of Irvine
City of Laguna Beach
City of La Habra
City of Montclair
City of Orange
City of Tustin
City of Westminster
City of Whittier
City of Yorba Linda

Admission

Entities applying for membership must be approved by a majority vote of the Board Members present and voting.

Withdrawal/Termination

Members may withdraw from CIPA upon advance written notice subject to the participation agreement of each program. The effect of withdrawal (or termination), for the pooling programs, does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

The agreement contains provisions that require any member to remain in the program for a minimum period of two years. Thereafter the member agency may withdraw by giving written notice to the Board or its designee, on or before the next succeeding March 1, of the intent to withdraw as of 12:01 a.m. on the next July 1.

B. Description of Fund

The accounting records of CIPA are maintained in an enterprise fund which is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing services on a continuing basis be financed through user charges.

C. Reporting Entity

CIPA's reporting entity includes all activities (operations of its administration, officers, executive committee and board of directors) as they relate to CIPA. This includes financial activity relating to all of the membership years.

CIPA has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The criteria include, but are not limited to, whether the entity exercises fiscal accountability (which includes whether CIPA's governing body is substantially the same as a component unit's governing body, or if there is a financial benefit or burden relationship between CIPA and the component unit). CIPA has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements.

D. Basis of Accounting

These statements are prepared on the accrual basis of accounting. Revenues from member contributions and interest from investments are recognized when earned. Expenses for vendor services are recognized when the services are provided. Expenses related to joint purchase premiums are recognized during the applicable policy period. Assessments and dividends are recognized during the fiscal year as calculated by the actuary. Workers' Compensation claim reimbursements are recognized during the fiscal year in which expenses were incurred. Liability claim reimbursements are recognized when claim expenses have been finalized.

E. New GASB Pronouncements

Effective in Future Year

GASB Statement No. 75
In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-2018 fiscal year. The Authority has not determined the effect on the financial statements.

GASB Statement No. 81
In March 2016, GASB issued Statement No. 81, *Irrevocable Split Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016. The Authority has not determined the effect of the statement.

GASB Statement No. 83
In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The Authority has not determined the effect of the Statement.

GASB Statement No. 84
In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The Authority has not determined the effect of this Statement.

GASB Statement No. 85
In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-2018 fiscal year. The Authority has not determined the effect of the Statement.

GASB Statement No. 86
In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-2018 fiscal year. The Authority has not determined the effect of the Statement.

GASB Statement No. 87
In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year. The Authority has not determined the effect of the Statement.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash in bank, investment in Local Agency Investment Fund, and all highly liquid debt instruments purchased with original maturity of three months or less.

G. Allowance for Doubtful Accounts

Accounts receivable generally includes investment earnings on deposits and member assessments. Management has analyzed these accounts and believes all amounts are fully collectible.

H. Investment Valuation

CIPA recognizes the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CIPA reported an unrealized loss in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, during the year ended June 30, 2017 in the amount of $90,327. The unrealized loss is reported with other investment earnings as part of nonoperating revenues.

I. Claims Liabilities

CIPA establishes claim liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled. Up until June 30, 2000, CIPA provided a claims-made policy whereby coverage is triggered by the reporting of the loss to CIPA, irrespective of the date the loss was actually incurred. Subsequent to June 30, 2000, CIPA provides coverage on an occurrence basis. The estimated amount of aggregate excess insurance recoverable on unpaid claims is 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, claims 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.

J. Unallocated Loss Adjustment Expenses

Unallocated loss adjustment expenses (ULAE) are the indirect expenses to settle claims. These expenses are primarily administration and claims handling expenses.

Accounting standards require that ULAE be included in financial statements and that they be calculated by actuarial methods. CIPA has determined that there is no liability for ULAE.

K. Operating Revenues

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Operating revenue includes member contributions, related fees, and assessments, which are an integral part of the operations and financing of the covered risks and activities. Nonoperating income includes material activities that are not part of the core risk financing activities of the entity. Investment income is classified as nonoperating income.

L. Contribution Income

Member contributions are collected in advance and recognized as revenues in the period for which insurance protection is provided. If CIPA's Board of Directors determines that the insurance funds for a program, including anticipated investment income, are insufficient to pay losses, the JPA may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed, however, the assessments are paid to CIPA over a ten-year period or more if approved by the Board.

M. Excess Insurance

Excess liability insurance is purchased above CIPA's self-insured retention of $3,000,000. For claims that would be covered under CIPA's liability memorandum of coverage, but not covered by an excess carrier, CIPA remains responsible for an uncovered claim up to $5,000,000.

N. Income Taxes

CIPA'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.

O. Use of Estimates

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

P. Comparative Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in CIPA's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CIPA's financial statements for the year ended June 30, 2016, from which this selected financial data was derived. Further, certain minor reclassifications of prior year data have been made in order to enhance its comparability with current year figures.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30:

	2017	2016
Balance per bank	$ 130,224	$ 10,049
Less: Outstanding checks	(29,952)	(3,395)
Balance per books	100,272	6,654
Cash on hand	1,000	1,000
Cash on hand and in bank	101,272	7,654
Pooled funds:		
Cash in Local Agency Investment Fund	1,086,723	3,102,964
Money Market Funds	177,185	21,348
Total Cash and Equivalents	1,365,180	3,131,966
Investments	35,044,511	32,467,003
Total Cash and Investments	$ 36,409,691	$ 35,598,969

A. <u>Cash and Equivalents</u>

Cash in Bank

The carrying amount of CIPA's cash is covered by Federal depository insurance up to $250,000. As of June 30, 2017, CIPA's deposits were not exposed to custodial credit risks.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Local Agency Investment Fund

CIPA is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of CIPA's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon CIPA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis and reported as cash equivalents in the statement of net position. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. Deposits and withdrawals to and from LAIF are made on the basis of $1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with LAIF is uncategorized.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. The value of the LAIF deposits as of June 30, 2017, was $1,086,723 and had a weighted average maturity of 194 days. LAIF is not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office:
915 Capitol Mall, Sacramento, California 95814.

B. Investments

Authorized Deposits/Investments

Under provisions of CIPA's Investment Policy, and in accordance with Section 53600 of the California Government Code, CIPA may invest in the following types of investments:

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in Any One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	30%
Municipal Securities	5 years	None	5%
Banker's Acceptances	180 days	25%	5%
Commercial Paper	270 days	25%	5%
Certificates of Deposit - Negoitiable	5 years	30%	5%
Certificates of Deposit - Non-negotiable	5 years	30%	5%
Corporate Notes	5 years	30%	5%
Mortgage Obligations/Asset Backed Securities	5 years	20%	5%
Money Market Mutual Funds	None	20%	10%
Local Agency Investment Fund	None	None*	None
Supranationals	5 years	30%	10%

*LAIF has a $50 million maximum investment limit per account

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. CIPA's investment policy contains policy requirements that would limit the exposure to custodial credit risk for investments. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of CIPA’s bank or other trustee. Securities are to be held in the name of CIPA, and are to be purchased on a delivery vs. payment (DVP) basis only. Investments with various federal agencies, commercial paper, mortgage obligations, asset backed securities, and corporate notes with a fair value of $35,044,511 at June 30, 2017, are held by CIPA’s custodian bank.

Disclosures Relating to 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. One of the ways that CIPA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2017, CIPA had the following investments:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months
U.S. Treasury Obligations	$ 9,311,776	$ -	$ 994,031	$ 8,317,745
U.S. Agency Securities	13,966,618	2,841,691	3,483,818	7,641,109
Mortgage Obligations/Asset Backed Securities	2,454,997	21,253	1,509,689	924,055
Corporate Notes	8,802,540	3,552,477	1,706,811	3,543,252
Commercial Paper	508,580	508,580	-	-
Total	$ 35,044,511	$ 6,924,001	$ 7,694,349	$ 20,426,161

CIPA's investments are presented in the Statement of Net Position as follows:

	2017	2016
Short-Term Investments	$ 6,924,001	$ 5,172,943
Long-Term Investments	28,120,510	27,294,060
Total Investments	$ 35,044,511	$ 32,467,003

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and CIPA's investment policy, and the actual rating as of year-end for each investment type as rated by Moody's.

Investment Type	Fair Value	S&P/Moody's Minimun Legal Rating	Exempt from Disclosure	Ratings as of June 30:				
				Aaa*	Aa1-Aa3	A1	A2	P-1
U.S. Treasury Obligations	$ 9,311,776	N/A	$ 9,311,776	$ -	$ -	$ -	$ -	$ -
U.S. Agency Securities	13,966,618	N/A	-	13,966,618	-	-	-	-
Mortgage Obligations/ Asset Backed Securities*	2,454,997	AA/Aa2	-	2,454,997	-	-	-	-
Corporate Notes	8,802,540	A/A2	-	861,737	1,208,223	4,034,363	2,698,217	-
Commercial Paper	508,580	A/P-1	-	-	-	-	-	508,580
Total	$ 35,044,511		$ 9,311,776	$ 17,283,352	$ 1,208,223	$ 4,034,363	$ 2,698,217	$ 508,580

*$620,956 of securities rated as AAA by S&P, but not rated by Moody's

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The investment policy of CIPA contains limitations on the amounts that can be invested in any one issuer. Investments in any one issuer that represent 5 percent or more of total CIPA investments are as follows:

Issuer	Investment Type	Fair Value
Federal Farm Credit Banks	U.S. Agency Securities	$ 2,094,899
Federal Home Loan Banks	U.S. Agency Securities	3,774,746
Federal National Mortgage Association	U.S. Agency Securities	3,952,203
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	3,858,318

Fair Value Measurements

Fair value measurements are categorized based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, including matrix pricing models; Level 3 inputs are significant unobservable inputs.

Investment fair value measurements as of June 30, 2017 are as follows:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Obligations	$ 9,311,776	$ -	$ 9,311,776	$ -
U.S. Agency Securities	13,966,618	-	13,966,618	-
Mortgage Obligations/Asset Backed Securities	2,454,997	-	2,454,997	-
Corporate Notes	8,802,540	-	8,802,540	-
Commercial Paper	508,580		508,580	
Total	$ 35,044,511	$ -	$ 35,044,511	$ -

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that the GASB Statements require or permit in the statement of net position at the end of each reporting period.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted of the following:

Interest receivable and other receivable	$ 7,047
Member assessments	1,695,543
Total Accounts Receivable	1,702,590
Member assessments considered long-term receivables	(1,353,958)
Short-term Accounts Receivable	$ 348,632

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

Claims	$ 12,292
Total Accounts Payable	$ 12,292

NOTE 5 - RECONCILIATION OF CLAIMS LIABILITY

As discussed in Note 1, CIPA 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 CIPA during the fiscal year ended June 30:

	2017	2016
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	$ 20,805,519	$ 17,580,604
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	6,210,299	4,569,058
Increase in provision for insured events of prior fiscal years	2,929,988	787,465
Total incurred claims and claim adjustment expenses	9,140,287	5,356,523
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	4,579,705	2,131,608
Total unpaid claims and claim adjustment expenses at end of the fiscal year	$ 25,366,101	$ 20,805,519

The components of the unpaid claims and claim adjustment expenses as of June 30, 2017 and 2016 were as follows:

	2017	2016
Claims liability	$ 25,366,101	$ 20,805,519
Current portion	(3,106,796)	(3,106,796)
Total	$ 22,259,305	$ 17,698,723

At June 30, 2017 and 2016, estimated unpaid losses of $27,697,528 and $22,772,935, respectively, are reflected at their net present values of $25,366,101 and $20,805,519, respectively. At June 30, 2017 and 2016, unpaid losses are discounted at three percent.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Litigation

CIPA is involved in various litigation from time to time arising from the normal course of business. In the opinion of management and legal counsel, CIPA is not involved in any litigation that is expected to have a material adverse effect on the overall financial position of CIPA at June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF COVERAGE
JUNE 30, 2017

	Liability	
	Current Year	Prior Year
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	$ 10,504,616	$ 7,477,176
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	4,158,066	2,586,954
Increase (decrease) in provision for insured events of prior fiscal years	4,070,983	1,992,599
Total incurred claims and claim adjustment expenses	8,229,049	4,579,553
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	4,016,554	1,552,113
Total unpaid claims and claim adjustment expenses at end of the fiscal year	$ 14,717,111	$ 10,504,616

Workers' Compensation		Total	
Current Year	Prior Year	Current Year	Prior Year
$ 10,300,903	$ 10,103,428	$ 20,805,519	$ 17,580,604
2,052,233	1,982,104	6,210,299	4,569,058
(1,140,995)	(1,205,134)	2,929,988	787,465
911,238	776,970	9,140,287	5,356,523
563,151	579,495	4,579,705	2,131,608
$ 10,648,990	$ 10,300,903	$ 25,366,101	$ 20,805,519

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM
JUNE 30, 2017

The following table illustrates how CIPA's earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurance) and other expenses assumed by CIPA 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 excess insurance, and net earned contribution revenue and reported investment revenue. (2) This line shows each fiscal year's other operating costs of CIPA including overhead and claims expense not allocable to individual claims. (3) This line shows CIPA's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurance, 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 excess insurance 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.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM
JUNE 30, 2017

	June 30, 2008	2009	2010	2011	2012
(1) Required Contribution and Investment Revenue:					
Earned	$ 6,031,019	$ 5,284,065	$ 5,300,698	$ 6,233,743	$ 5,002,193
Dividends	(1,537,535)	-	(482,930)	(421,547)	(421,548)
Ceded	(3,474,613)	(2,610,367)	(2,872,267)	(2,653,752)	(3,026,555)
Net earned	1,018,871	2,673,698	1,945,501	3,158,444	1,554,090
(2) Unallocated Expenses	210,669	160,750	184,739	184,975	231,102
(3) Estimated Claims and Expenses, End of Policy Year:					
Incurred	1,300,643	2,491,264	1,313,205	2,647,225	1,654,749
Ceded					
Net incurred	1,300,643	2,491,264	1,313,205	2,647,225	1,654,749
(4) Net Paid (cumulative as of):					
June 30, 2008	-	-	-	-	-
June 30, 2009	-	-	-	-	-
June 30, 2010	-	-	-	-	-
June 30, 2011	-	167,530	-	-	-
June 30, 2012	-	167,530	-	433,532	-
June 30, 2013	-	167,530	184,698	433,532	-
June 30, 2014	86,078	167,530	358,147	2,156,064	21,799
June 30, 2015	86,337	311,728	467,934	3,076,502	1,847,035
June 30, 2016	86,337	325,880	1,207,476	3,089,344	1,860,032
June 30, 2017	86,078	311,728	1,047,687	3,050,461	2,520,947
(5) Re-Estimated Ceded Claims and Expenses					
(6) Re-Estimated Net Incurred Claims and Expenses:					
June 30, 2008	1,300,643	-	-	-	-
June 30, 2009	1,324,884	2,491,264	-	-	-
June 30, 2010	895,025	1,842,185	1,313,205	-	-
June 30, 2011	481,879	2,005,301	610,869	2,647,225	-
June 30, 2012	174,234	803,316	1,078,417	3,651,306	1,654,749
June 30, 2013	-	167,530	1,123,251	3,407,276	1,317,569
June 30, 2014	86,078	251,125	847,006	3,761,321	1,553,266
June 30, 2015	97,547	492,433	1,219,669	3,408,348	2,514,214
June 30, 2016	86,912	505,633	1,459,923	3,478,013	2,287,385
June 30, 2017	86,078	1,757,089	1,397,776	3,213,216	3,642,046
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	$ 1,214,565	$ 734,175	$ (84,571)	$ (565,991)	$ (1,987,297)

June 30,				
2013	2014	2015	2016	2017
$ 4,773,505	$ 5,934,271	$ 5,505,079	$ 6,628,269	$ 6,810,107
(421,549)	(482,930)	(482,930)	(275,395)	-
(2,989,114)	(3,281,099)	(3,301,185)	(3,298,158)	(2,955,692)
1,362,842	2,170,242	1,720,964	3,054,716	3,854,415
232,446	195,955	225,700	213,627	266,327
1,990,342	2,039,108	2,124,337	2,586,954	4,158,066
1,990,342	2,039,108	2,124,337	2,586,954	4,158,066
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
112,359	-	47,177	-	-
489,275	452,431	3,250,000	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,990,342	-	-	-	-
1,309,025	2,039,108	-	-	-
1,599,713	2,277,242	2,124,337	-	-
3,451,186	1,503,056	2,505,722	2,586,954	-
3,568,539	1,309,302	5,057,264	2,688,943	4,158,066
$ (1,578,197)	$ 729,806	$ (2,932,927)	$ (101,989)	$ -

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

TEN-YEAR CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM
JUNE 30, 2017

		June 30,				
		2008	2009	2010	2011	2012
(1)	Required Contribution and Investment Revenue:					
	Earned	$ 2,044,712	$ 1,848,379	$ 1,637,996	$ 2,456,590	$ 2,300,450
	Dividends					
	Ceded	(368,016)	(333,662)	(342,476)	(242,957)	(203,397)
	Net earned	1,676,696	1,514,717	1,295,520	2,213,633	2,097,053
(2)	Unallocated Expenses	276,754	164,922	145,681	147,301	156,249
(3)	Estimated Claims and Expenses, End of Policy Year:					
	Incurred	793,412	611,268	620,509	2,694,249	1,306,328
	Ceded	-	-	-	-	-
	Net incurred	793,412	611,268	620,509	2,694,249	1,306,328
(4)	Net Paid (cumulative as of):					
	June 30, 2008	-	-	-	-	-
	June 30, 2009	-	-	-	-	-
	June 30, 2010	-	-	-	-	-
	June 30, 2011	10,867	-	-	-	-
	June 30, 2012	42,691	-	-	-	-
	June 30, 2013	84,261	17,434	-	-	-
	June 30, 2014	116,266	311,071	-	-	-
	June 30, 2015	190,010	705,413	-	43,333	-
	June 30, 2016	236,511	766,342	-	94,429	-
	June 30, 2017	499,693	825,887	-	147,338	177,125
(5)	Re-Estimated Ceded Claims and Expenses					
(6)	Re-Estimated Net Incurred Claims and Expenses:					
	June 30, 2008	793,412	-	-	-	-
	June 30, 2009	482,925	611,268	-	-	-
	June 30, 2010	173,200	382,870	620,509	-	-
	June 30, 2011	454,861	1,563,216	1,117,853	2,694,249	-
	June 30, 2012	542,909	3,334,101	1,016,334	1,019,759	1,306,328
	June 30, 2013	398,828	2,810,023	669,442	880,057	871,245
	June 30, 2014	488,006	2,151,159	637,175	732,173	1,207,638
	June 30, 2015	581,452	1,862,782	655,103	766,770	984,359
	June 30, 2016	769,135	1,448,781	619,998	668,416	1,120,076
	June 30, 2017	885,602	1,389,221	330,128	448,381	1,093,446
(7)	(Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	$ (92,190)	$ (777,953)	$ 290,381	$ 2,245,868	$ 212,882

		June 30,		
2013	2014	2015	2016	2017
$ 1,696,012	$ 2,057,613	$ 3,801,453	$ 1,693,311	$ 1,783,285
(426,307)	(406,157)	(458,363)	(293,113)	(313,282)
1,269,705	1,651,456	3,343,090	1,400,198	1,470,003
135,295	139,883	151,775	153,008	153,663
862,234	1,367,907	1,630,425	1,982,104	2,052,233
-	-	-	-	-
862,234	1,367,907	1,630,425	1,982,104	2,052,233
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,692	-	258,457	-	-
26,753	-	263,728	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
862,234	-	-	-	-
1,162,429	1,367,907	-	-	-
876,466	921,243	1,630,425	-	-
779,083	919,974	1,219,075	1,982,104	-
666,166	810,166	1,268,907	1,874,410	2,052,233
$ 196,068	$ 557,741	$ 361,518	$ 107,694	$ -

SUPPLEMENTARY INFORMATION

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Liability	Workers' Compensation	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 797,155	$ 568,025	$ 1,365,180
Receivables	332,171	16,461	348,632
Short-term investments	3,621,346	3,302,655	6,924,001
Total Current Assets	4,750,672	3,887,141	8,637,813
Noncurrent Assets			
Receivables	1,353,958	-	1,353,958
Investments	14,707,406	13,413,104	28,120,510
Total Noncurrent Assets	16,061,364	13,413,104	29,474,468
Total Assets	20,812,036	17,300,245	38,112,281
LIABILITIES			
Current Liabilities			
Accounts payable	10,917	1,375	12,292
Due members	-	24,921	24,921
Unearned assessments	-	392,532	392,532
Current portion of unpaid claims and claim adjustment expenses	2,038,835	1,067,961	3,106,796
Total Current Liabilities	2,049,752	1,486,789	3,536,541
Unpaid claims and claim adjustment expenses, noncurrent portion	12,678,276	9,581,029	22,259,305
Total Liabilities	14,728,028	11,067,818	25,795,846
NET POSITION			
Unrestricted	6,084,008	6,232,427	12,316,435
Total Net Position	$ 6,084,008	$ 6,232,427	$ 12,316,435

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Liability	Workers' Compensation	Total
OPERATING REVENUES			
Contributions	$ 6,258,984	$ 2,624,840	$ 8,883,824
Contributions-prior year assessments	534,954	(867,889)	(332,935)
Excess insurance	(1,336,690)	(313,282)	(1,649,972)
Joint purchase insurance	(1,619,002)	-	(1,619,002)
Total Operating Revenues	3,838,246	1,443,669	5,281,915
OPERATING EXPENSES			
Claims paid	4,016,554	563,151	4,579,705
Provision for loss reserves	4,212,495	348,087	4,560,582
Litigation management	56,639	-	56,639
Risk management services	110,725	110,725	221,450
Administration expenses	98,963	42,938	141,901
Total Operating Expenses	8,495,376	1,064,901	9,560,277
Operating Income (loss)	(4,657,130)	378,768	(4,278,362)
NONOPERATING REVENUES			
Investment earnings net of fees	16,169	26,334	42,503
INCREASE (DECREASE) IN NET POSITION	(4,640,961)	405,102	(4,235,859)
NET POSITION, BEGINNING OF YEAR	10,724,969	5,827,325	16,552,294
NET POSITION, END OF YEAR	$ 6,084,008	$ 6,232,427	$ 12,316,435

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

To the Board of Directors
California Insurance Pool Authority
Newport Beach, 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 the California Insurance Pool Authority (CIPA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CIPA's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CIPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CIPA's internal control. Accordingly, we do not express an opinion on the effectiveness of CIPA'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether CIPA'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Laguna Hills, California
September 29, 2017

FINANCIAL STATEMENT FINDINGS
JUNE 30, 2017

None reported.

CALIFORNIA INSURANCE POOL AUTHORITY
(A Joint Powers Authority)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

None reported.