PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

- CALIFORNIA -

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2017 and 2016

EXECUTIVE COMMITTEE

(as of June 30, 2017)

Name	Entity
Charles Buquet	City of Victorville
Saida Amozgar	City of Perris
Rita Chapparosa	City of Banning
Marjorie De La Cruz	Mount San Jacinto Winter Park Authority
Kevin Kane	Victor Valley Transit Agency
Myrna Paakkonen	City of Norco
Joe Tanner	City of Desert Hot Springs

OFFICERS

Name	Office	Entity
Charles Buquet	President	City of Victorville
Kevin Kane	Vice-President	Victor Valley Transit Agency
Andy Okoro	Treasurer	City of Norco
Scott Ellerbrock	Secretary / Auditor	PERMA

PERMA Office Address

36-951 Cook Street, Suite 101
Palm Desert, CA 92211

Report Prepared By

Michael Caton, Financial Analyst

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

For the Years Ended June 30, 2017 and 2016

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INTRODUCTORY SECTION

PERMA
Public Entity Risk Management Authority

September 21, 2017

Members of the Board of Directors
Public Entity Risk Management Authority

Ladies and Gentlemen:

Attached is the Comprehensive Annual Financial Report of the Public Entity Risk Management Authority (PERMA) for your review and consideration. The Report is prepared by our staff, and PERMA takes full responsibility for the accuracy, completeness, disclosure, and fairness of the data presented. We believe the data, as presented, is materially accurate in all respects, and allows the reader to gain a maximum understanding of PERMA's financial picture.

James Marta & Company LLP has audited PERMA's financial statements. They concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that PERMA's financial statements for the fiscal year ended June 30, 2017 are fairly presented, and in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

Profile

In 1985 a looming crisis in obtaining insurance coverage led a group of nine public agencies in the Coachella Valley to look at alternative ways to address the exposures common to their agencies. From that limited and experimental starting point Coachella Valley Joint Powers Insurance Authority (CVJPIA), a Joint Powers Authority (JPA), was formed subject to the provisions of the California Government Code to jointly develop and fund programs of insurance. In 1998, CVJPIA changed its name to PERMA.

Today, PERMA has 32 member agencies statewide: 22 cities, 7 special districts and 3 transit agencies. Members participate in some or all of PERMA's coverage and risk management programs at their discretion, and in conformance with PERMA's rules regulating participation. The primary purpose of PERMA, as a risk management authority, is to provide financial protection to its members when damage to their assets, or covered third party liability claims against them arise.

Assessing PERMA's Financial Condition

As a jointly owned and jointly governed organization, members have a direct stake in the efficient operation and financial performance of PERMA. Funding of the JPA is predominantly dependent upon claim activity. While insurance / reinsurance coverage is an important aspect of the JPA's cost structure, the pricing of such coverage is largely dependent upon prevailing market conditions. Risk control efforts and program administration costs comprise the third largest category of JPA expenses. Policies, procedures and day to day practices among members that are uniform and consistent greatly benefits PERMA and the membership as a whole. The greatest challenge of PERMA is to identify member risks at their source and develop risk control techniques to reduce or eliminate those risks.

A public agency since 1985
36-951 Cook Street Suite 101 Palm Desert CA 92211
phone 760.360.4966
fax 760.360.3264

Through long range planning and strong Board and Executive Committee participation, many new initiatives arise that when implemented benefit individual programs, members and PERMA as a whole. Examples include, access to web-based training, proactive risk control services, review and update of major program documents, and consideration of new programs and services. Effective management of a pooled insurance authority for the benefit of all concerned is both active and dynamic.

Internal Accounting Controls

PERMA's accounting system is organized so that each program can be accounted for and evaluated independently. Policy periods are also accounted for separately within each program. The assets, liabilities, revenues and expenses of each year are reported on a full accrual basis. All transactions are accounted for in a governmental enterprise fund.

PERMA management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles, and the activities and reporting of PERMA are in compliance with relevant laws and regulations. Internal accounting controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control decisions are made within the above guidelines. Management believes that PERMA's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accreditation and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERMA for its comprehensive annual financial report for the year ended June 30, 2016. This was the fourth time that PERMA has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

PERMA as a risk management authority is accredited with excellence, which is the highest level of accreditation, by the California Association of Joint Powers Authorities (CAJPA). Such accreditation validates the soundness of PERMA practices. The accreditation program was established as a model of professional standards which serve as a guideline for all risk management pools regardless of size, scope of operations, or membership structure. The accreditation was awarded for a three-year period ending February 28, 2018.

Our sincere appreciation is expressed to each Director and Alternate Director of the Board of Directors for their commitment to PERMA.

Respectfully submitted,

Scott Ellerbrock
General Manager

Michael Caton
Financial Analyst

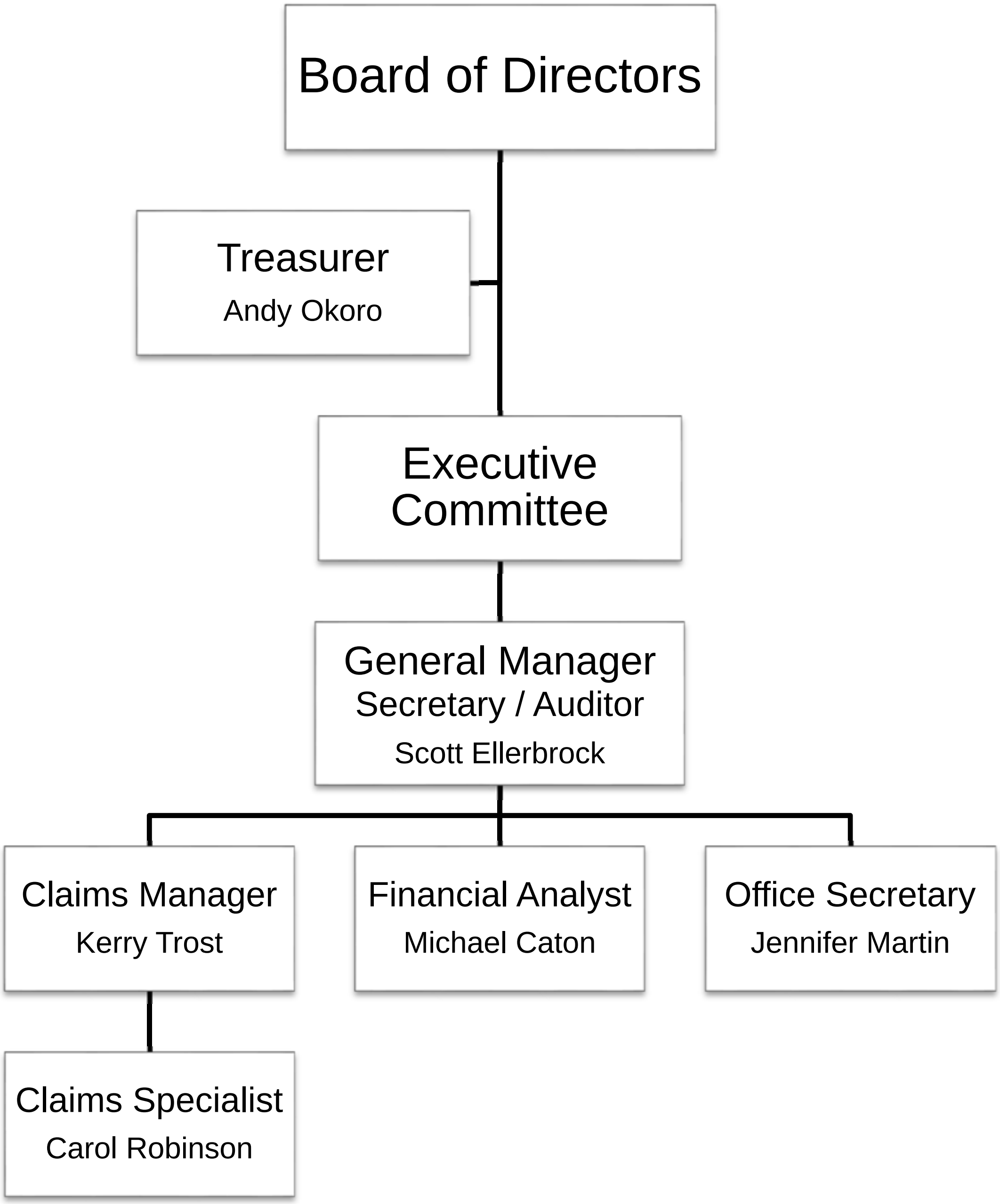
PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS AND ALTERNATES

Entity	Programs: Liability	Work Comp	Crime	Cyber Liab.	EPL	Property	Director	Alternate
Adelanto	X	X	X	X	X	X	Cynthia Herrera, City Clerk	Brenda Lopez, Deputy City Clerk
Banning	X	X	X	X	X	X	Rita Chapparosa, Deputy Human Resources Director	Vacant
Barstow	X	X	X	X	X	X	Charles Mitchell, City Manager	Vacant
Blythe	X	X	X	X		X	Mallory Crecelius, Deputy Administrative Services Director & City Clerk	Christa Elms, Interim Finance Director
Canyon Lake	X		X	X	X	X	Aaron Palmer, City Manager	Miguel Borja, Administrative Services Manager
Cathedral City	X	X			X		Tami Scott, Administrative Services Director	Vacant
Coachella	X	X	X	X	X	X	Bill Pattison, City Manager & Finance Director	Sandy Krause, Human Resources Manager
Desert Hot Springs	X	X	X	X	X	X	Joe Tanner, Administrative Services Director	Pamela Meuse, Human Resources Manager
Eastvale	X		X	X	X	X	Angelica Zepeda, Senior Account Clerk	Steven Aguilar, Assistant City Clerk
Hesperia	X	X	X	X	X	X	Brian Johnson, Assistant City Manager	Rita Perez, Sr. Human Resources Analyst
Holtville	X	X	X	X	X	X	Denise Garcia, City Clerk/Personnel	Nicholas Wells, City Manager
ICTC	X			X	X	X	Mark Baza, Executive Director	Michelle Bastidas, Administrative Analyst
IVECA	X			X		X	Rodolfo Aguayo, Imperial County Director of HR & Risk Mgmt	Vacant
Jurupa Valley	X		X	X		X	Gary Thompson, City Manager	Alan Kreimeier, Administrative Services Director
La Mesa	X	X	X	X	X	X	Rida Freeman, Human Resources Manager	Nedra Johnson, Management Analyst
March JPA	X		X	X		X	Matthew Schenk, Finance Manager/Controller	Vacant
MD&MIWMA	X			X			John Davis, General Manager	Vacant
Moreno Valley	X		X	X		X	Bridgette Montgomery, Sr. Human Resources Analyst	Vacant
Mt. San Jacinto WPA	X		X	X	X	X	Marjorie De La Cruz, Vice President of Human Resources & Risk Management	Tara Meinke, Vice President of Finance
Murrieta	X	X	X	X	X	X	Cynthia Perez, Sr. Management Analyst	Richard Dukellis, Deputy Director of Administrative Services – Human Resources
Norco	X	X		X		X	Andy Okoro, City Manager	Myrna Paakkonen, Human Resources Manager
PVVTA	X			X		X	George Colangeli, Transit Manager	Dale Reynolds, Administrative Supervisor
Perris	X	X	X	X	X	X	Isabel Carlos, Assistant Director of Administrative Services	Saida Amozgar, Human Resources & Risk Supervisor
Rancho Mirage	X	X	X	X		X	Britt Wilson, Management Analyst	Vacant
Regional Training Center	X		X	X	X		Michael Gray, Executive Director	Marisa McCullough, Director of Training
San Jacinto	X	X	X	X		X	Robert Johnson, City Manager	Carolyn Durden, Human Resources Coordinator
Stanton	X	X	X	X	X	X	Cynthia Guzman, Human Resources Specialist	Stephen Parker, Administrative Services Director
SunLine Transit	X	X	X	X	X	X	Eric Taylor, Financial Services & Support Manager	Ramon Aguiar, Assistant Financial Services & Support Manager
VVEDA	X			X			Keith Metzler, Executive Director	Sophie Smith, Economic Development Division Head
VVTA	X		X	X	X	X	Kevin Kane, Executive Director	Vacant
Victorville	X	X			X		Charles Buquet, Risk Manager	Vacant
Westmorland	X	X	X	X		X	Sally Traylor, City Clerk	Vacant

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Entity Risk Management Authority California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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

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

Public Entity Risk Management Authority

this

CERTIFICATE OF ACCREDITATION WITH EXCELLENCE

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

Accreditation Period: February 28, 2015 – February 28, 2018

Andy Sells
President

Michael Fleming
Chairman, Accreditation Committee

James P. Marta
Accreditation Program Manager

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FINANCIAL SECTION

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Entity Risk Management Authority
Palm Desert, California

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Public Entity Risk Management Authority (PERMA) as of June 30, 2017 and 2016 and the related Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and related notes to the financial statements for the years then ended.

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 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 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.

701 Howe Avenue, Suite E3 Sacramento, CA 95825 (916) 993-9494 fax (916) 993-9489
www.jpmcpa.com dbecker@jpmcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Public Entity Risk Management Authority, as of June 30, 2017 and 2016, and the respective changes in financial position, and cash flows for the years 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 Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Pension Plan Contributions and Schedule of Funding Progress – Other Postemployment Benefits (OPEB) 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 (GASB) 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 principally 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 basic financials statements of PERMA. The Reconciliation of Claims Liabilities by Type of Contract and Claims Development Information are not required parts of the basic financial statements but are supplementary information required by GASB. The Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, Combining Schedule of Cash Flows, Member Deposits/Member Receivables and Estimated Outstanding Losses Within Member Retention are presented for purposes of additional analysis and are not required parts 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Claims Liabilities by Type of Contract, Claims Development Information Position, Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses and Changes in Net Position, Combining Schedule of Cash Flows, Member Deposits/Member Receivables and Estimated Outstanding Losses Within Member Retention are fairly stated in all material respects in relation to the financial statements as a whole.

The Introductory Section and the Statistical Section, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of Public Entity Risk Management Authority's internal control over financial reporting and our tests of its compliance with 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 the 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 Public Entity Risk Management Authority's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
September 21, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Public Entity Risk Management Authority (PERMA), we offer readers of PERMA's financial statements this narrative overview and analysis of the financial activities of PERMA for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with the accompanying basic financial statements.

Overview of PERMA

Since November 1985, Public Entity Risk Management Authority (PERMA), a Joint Powers Authority (JPA), has provided financial protection to its membership which is comprised of 32 public agencies: 22 cities, 7 special districts and 3 transit agencies. PERMA operates risk management and coverage programs for the General Liability, Workers' Compensation, Employment Practices Liability, Crime, Cyber Liability and Property risks associated with member operations.

PERMA is governed by a Board of Directors comprised of representatives from each of its members. The Board of Directors elects a seven member Executive Committee, and the Executive Committee elects a President and Vice President. The Board and Committee oversee the operations of the JPA including rating, return of contributions, and loss control plans, as well as other activities in accordance with the JPA Agreement, Bylaws, and Board adopted policies and procedures.

PERMA's day-to-day operations are administered by the General Manager. The General Manager is responsible for implementing the organizations' objectives in accordance with the JPA's aforementioned organizational documents, and in accordance with direction provided by the Board of Directors, its Officers, and the Executive Committee.

Financial Highlights for the Fiscal Year Ended June 30, 2017

- Total operating revenues are $8.7 million, an increase of 4.1% or $339 thousand from the prior year. The increase is due to slightly higher membership payroll, a 3.4% increase in the Workers' Compensation Program funding rates, and City of Westmorland joining the Workers' Compensation Program.
- Total expenses are $12.7 million, an increase of 54.1% or $4.5 million over the prior year – $3.3 million is attributable to the annual re-estimation of the unpaid claims and claim adjustment expenses, $560 thousand for an increase in member dividends and $508 thousand for an increase in pension expense, which factors in the $638 thousand to pay down the pension plan's unfunded accrued liability in FY 2015/16.
- Non-operating loss is $68 thousand, a decrease of 107.3% or $1 million over the prior year. Investment earnings increased $31 thousand, but the fair value of investments decreased $1.04 million.
- Total assets and deferred outflows of resources are $42.1 million, a decrease of 1.6% or $682 thousand over the prior year. The change is primarily due to a decrease in cash and investments of $965 thousand, an increase of $730 thousand in accounts receivable, and a decrease in deferred outflows of $493 thousand.
- Total liabilities and deferred inflows of resources are $26.9 million, an increase of 14.4% or $3.4 million over the prior year. The increase is attributable to the increase in unpaid claims and claim expenses of $3.3 million.
- Total net position is $15.3 million, a decrease of 21.0% or $4.1 million from the prior year.
- Capital assets, net of depreciation, are $766 thousand, a decrease of 3.4% or $27 thousand from the prior year. The decrease is the result of depreciation.

Description of Basic Financial Statements

Individual program accounting is maintained for each program of the JPA and is provided as supplemental information to the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the combined financial position of PERMA as of June 30, 2017 and 2016. The Statement of Revenues, Expenses and Change in Net Position reports the operations of the organization for the years ended June 30, 2017 and 2016. The Statement of Cash Flows is presented on the direct method to reflect the operations of PERMA for the years ended June 30, 2017 and 2016 based strictly on the inflow and outflow of cash.

The *Notes to the Basic Financial Statements* provide information on unique accounting policies of PERMA, such as discounting of claim reserves, development of estimates of incurred but not reported liabilities and the provision for unallocated loss adjustment expenses. There were no significant changes in the accounting practices of PERMA during the fiscal year.

The *Required Supplementary Information* contains schedules regarding PERMA's pension plan and Other Post Employment Benefits, a reconciliation of claims liabilities by type of contract and a schedule of claims development information for the liability and workers' compensation programs. Also, management has elected to include as additional supplementary information, a schedule of estimated outstanding losses within member retention levels for the liability and workers' compensation programs and a schedule of member deposits/member receivables for the year ended June 30, 2017 for all programs.

<u>Analysis of Overall Financial Position and Results in Operations</u>

Statement of Revenues, Expenses and Change in Net Position

			Increase (Decrease)		
	2017	2016	Amount	% Change	2015
Operating revenues:					
Deposit premiums	$ 8,192,005	$ 7,937,283	$ 254,722	3.2%	$ 7,413,630
Excess insurer dividends/ premium adjustments	413,330	402,376	10,954	2.7%	324,337
Other Income	79,895	6,169	73,726	1,195.1%	158
Total operating revenues	8,685,230	8,345,828	339,402	4.1%	7,738,125
Operating expenses:					
Provision for claims and claim adjustment expenses	6,169,160	2,876,511	3,292,649	114.5%	2,806,345
Excess insurance	2,175,665	2,095,621	80,044	3.8%	1,848,881
General and administrative	2,445,763	1,928,205	517,558	26.8%	1,942,986
Member dividends/premium adjustments	1,885,011	1,324,735	560,276	42.3%	1,228,461
Total operating expenses	12,675,599	8,225,072	4,450,527	54.1%	7,826,673
Operating income (loss)	(3,990,369)	120,756	(4,111,125)	-3,404.5%	(88,548)
Non-operating income:					
Investment earnings	466,197	435,041	31,156	7.2%	206,769
Net increase (decrease) in fair value of investments	(534,409)	505,041	(1,039,450)	-205.8%	183,521
Total non-operating income (loss)	(68,212)	940,082	(1,008,294)	-107.3%	390,290
Change in net position	(4,058,581)	1,060,838	(5,119,419)	-482.6%	301,742
Net position at beginning of year	19,340,016	18,279,178	1,060,838	5.8%	17,977,436
Net position at end of year	$15,281,435	$19,340,016	$(4,058,581)	-21.0%	$18,279,178

Current Year 2017 to Prior Year 2016 Comparison

Total operating revenues are up 4.1% due primarily to slight increases in membership payroll and modest increases in the Workers' Compensation Program funding rates. City of Westmorland also joined the Worker's Compensation program. Former liability excess insurer, CJPRMA, issued dividends for a sixth year. These dividends are not expected to continue as PERMA has not been a member of CJPRMA since 2007. Riverside County deemed PERMA exempt from general property taxes last year and refunded the property tax for years 2012/13 through 2015/16 which resulted in the $80 thousand received in other income.

Total operating expenses are up 54.1% primarily due to a 114.5% increase in the provision for claims and claim adjustment expenses which is comprised of claims paid and the change in claims payable (case reserves, IBNR and ULAE). This year, claims paid is $4.3 million and claims payable increased by $1.9 million, and most of that is due to a $1.7 million increase in case reserves, which is set by the claims administrators. General and administrative expenses are up 26.8% due to the $508 thousand pension expense. In December 2016, the Board approved member dividends of $1.9 million which is the largest return of contributions to date resulting in the 42.3% increase in member dividends.

PERMA's portfolio weighted average rate of return rose from 1.49% at June 30, 2016 to 1.68% at June 30, 2017 resulting in the 7.2% increase in investment earnings. As the global financial markets stabilized from last year's Brexit, yields rose throughout the year. The 10 year U.S. Treasury Yield Curve rose from 1.47% at June 30, 2016 to 2.31% at June 30, 2017. The increase in yields resulted in the 205.8% decrease in fair value of investments as PERMA holds many of its investments to maturity.

Prior Years 2016 and 2015 Comparison

Total operating revenues are up 7.9% from the prior year primarily due to new, lower retentions in the Workers' Compensation Program and funding the Workers' Compensation Program risk pools at the 80% confidence level. Former liability excess insurer, CJPRMA, issued dividends for a fifth year. These dividends are not expected to continue and will eventually taper off as PERMA has not been a member of CJPRMA since 2007. Riverside County Tax Assessor's office has deemed PERMA exempt from general property taxes. A partial refund of property tax for 2011/12 was received in other income resulting in the large percentage increase.

Total operating expenses are up by 5.1% from the prior year primarily due to a 13.3% increase in excess insurance and a 7.8% increase in member dividends. The provision for claims and claim adjustment expenses increased slightly by 2.5% while general and administrative expenses decreased slightly by 2.1%.

Although PERMA's portfolio weighted average rate of return rose from 1.28% at June 30, 2015 to 1.49% at June 30, 2016, the primary reason for the 110.4% increase in investment earnings is the net gains on sale of investments in 2015/16 versus the net loss on sale of investments in 2014/15, which was to better position the portfolio. Fair value of investments rose significantly in June well above book value due to Britain's vote to leave the European Union (Brexit) which sent volatility through global financial markets, pushing yields lower.

Statement of Net Position

			Increase (Decrease)		
	2017	2016	Amount	% Change	2015
Assets					
Current assets	$ 8,877,157	$ 6,452,048	$ 2,425,109	37.6%	$ 6,792,672
Non-Current assets	32,153,291	34,740,877	(2,587,586)	-7.4%	32,838,930
Capital assets-net	766,320	793,580	(27,260)	-3.4%	844,194
Total Assets	41,796,768	41,986,505	(189,737)	-0.5%	40,475,796
Deferred Outflows of Resources	328,697	821,440	(492,743)	-60.0%	83,195
Total Assets & Deferred Outflows	42,125,465	42,807,945	(682,480)	-1.6%	40,558,991
Liabilities					
Current liabilities	19,307,667	16,112,630	3,195,037	19.8%	15,679,491
Non-Current liabilities	7,013,617	7,281,277	(267,660)	-3.7%	6,412,646
Total Liabilities	26,321,284	23,393,907	2,927,377	12.5%	22,092,137
Deferred Inflows of Resources	522,746	74,022	448,724	606.2%	187,676
Total Liabilities & Deferred Inflows	26,844,030	23,467,929	3,376,101	14.4%	22,279,813
Net Position					
Invested in capital assets	766,320	793,580	(27,260)	-3.4%	844,194
Unrestricted net position	14,515,115	18,546,436	(4,031,321)	-21.7%	17,434,984
Total Net Position	$15,281,435	$19,340,016	$(4,058,581)	21.0%	$18,279,178

The increase or decrease in net position can provide an indication as to whether the overall financial position of PERMA improved or deteriorated during the year. For the year ended June 30, 2017, net position of PERMA decreased by 21.0% ($15.3 million compared to $19.3 million). For the year ended June 30, 2016, net position of PERMA increased by 5.8% ($19.3 million compared to $18.3 million). The net position (financial position) of PERMA changed as a result of the revenue and expense fluctuations described above.

PERMA invests its cash, which is not immediately needed to pay claims, in accordance with a Board adopted policy. Funds are invested in the California Local Agency Investment Fund (LAIF) and Public Financial Management (PFM) portfolios. On June 30, 2017, 2016 and 2015, our non LAIF investments, including accrued interest, are valued at $37,698,194, $37,803,219 and $33,458,136, respectively.

Analysis of Balances and Transactions of Individual Funds

As the overall financial results of PERMA are simply the sum of the results of each individual coverage program, the results of each program will be discussed in the sections below. The combining schedules for these programs are located in the supplementary information section of this report.

General Liability Program

Total Operating Revenues for the General Liability Program increased by $82 thousand for the year ended June 30, 2017. Although funding rates on average were down 2%, an increase in membership payroll of $3.9 million is the reason for the increase of $71 thousand in deposit premiums. Excess insurer returns increased $10 thousand. Total operating expenses increased significantly by 98.2% or $4.9 million over the prior year due to the $3.9 million increase in the provision for claims and claim adjustment expenses, the $560 thousand increase in member dividends and the $420 thousand increase in interfund charges (administration). The program realized an operating loss of $4.1 million and non-operating loss of $43 thousand.

The ending net position of the Program is $13,428,839, a decrease of 23.8% or $4,192,311 from the prior year.

Workers' Compensation Program

Total Operating Revenue for the Workers' Compensation Program increased by $184 thousand for the year ended June 30, 2017 due to $2.4 million increase in membership payroll, an average 3.4% increase in funding rates and the City of Westmorland joining the program. Total operating expenses decreased 14.8% or $483 thousand due primarily to a $571 thousand decrease in the provision for claims and claim adjustment expenses over the prior year. The program realized an operating income of $159 thousand and non-operating loss of $25 thousand.

The ending net position of the Program is $1,852,596, an increase of 7.8% or $133,730 from the prior year.

Employment Practices Liability Program

PERMA is a member of the Employment Risk Management Authority (ERMA) for employment practices liability (EPL) coverage. Members that opt for this coverage join ERMA as an underlying member of PERMA and share risk with other ERMA members. There is no risk sharing at the PERMA level. As such, the net position of this Program for the year ended June 30, 2017 is $0.

ERMA declared dividends on May 16, 2017 and PERMA's members' share was $528 thousand. As PERMA is the ERMA member, PERMA received the dividend check then disbursed the money to the members.

Crime Coverage, Cyber Liability and Property Programs

The Crime Coverage, Cyber Liability and Property Programs operate as a group purchase insurance programs for crime and property insurance to protect members' physical assets from financial loss. There is no risk sharing between the members in the Programs. As such the net positions of the Programs for the year ended June 30, 2017 are $0 for each program.

Capital Assets

Capital Assets
(net of depreciation, in thousands)

		2017	2016	2015
Building	$	766.3	788.8	811.2
Furniture and equipment		0.0	4.5	30.9
Software		0.0	0.3	2.1
Total capital assets, net	$	766.3	$ 793.6	$ 844.2

There was no significant capital asset activity during the years ended June 30, 2017, 2016, and 2015. For more detailed information, please refer to Capital Assets, Note 3, in the notes to the basic financial statements.

Long-Term Debt

PERMA has no long-term debt.

Economic Factors

In developing the annual budget and premiums for the fiscal years ended June 30, 2017 and 2016, staff and the Board of Directors took into account the factors that had significant potential to adversely affect the budgeted figures: primarily the claims, investments, and insurance environments.

For the years ended, June 30, 2017 and 2016, the Board funded the general liability program at a 65% confidence level and the workers' compensation program risk pools at an 80% confidence level and the non-risk layers at a 65% confidence level. A 65% confidence level is the actuary's undiscounted recommended funding, and an 80% confidence level is the actuary's undiscounted recommended funding at a prudent level.

PERMA members are experiencing revenue shortfalls and budget constraints. PERMA has been able to respond with viable risk coverage options and continued annual dividend returns.

Financial Management and Control

PERMA management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted principles.

PERMA's finance staff consists of a Financial Analyst who is responsible for the primary functions of accounting for PERMA. Oversight is provided by the Treasurer and the General Manager/Auditor.

Contacting PERMA

This financial report is designed to provide a general overview of PERMA's finances for all those with an interest in PERMA's finances. Questions concerning any of the information should be addressed to Public Entity Risk Management Authority (PERMA) at 36-951 Cook Street, Suite 101, Palm Desert, California 92211.

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BASIC FINANCIAL STATEMENTS

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 1,816,943	$ 2,658,168
Accounts receivable	1,095,531	365,298
Member receivable	361,383	297,401
Interest receivable	187,487	163,742
Prepaid expenses	49,275	43,835
Deposit with others	849	21,342
Investments, maturing within one year (Note 2)	5,365,689	2,902,262
Total current assets	8,877,157	6,452,048
Non-current assets:		
Investments with maturities in excess of one year (Note 2)	32,153,291	34,740,877
Capital assets, net of accumulated depreciation (Note 3)	766,320	793,580
Total non-current assets	32,919,611	35,534,457
Total assets	41,796,768	41,986,505
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions (Note 6)	328,697	821,440
LIABILITIES		
Current liabilities:		
Accounts payable	220,604	90,519
Pre-litigation defense	4,446	4,446
Compensated absences	61,143	55,284
Member deposits	15,281,474	13,952,381
Current portion of unpaid claims and claim adjustment expenses (Note 4)	3,740,000	2,010,000
Total current liabilities	19,307,667	16,112,630
Non-current liabilities:		
Other post employment benefits (Note 7)	75,772	61,322
Net pension liability (Note 6)	271,700	705,315
Unpaid claims and claim adjustment expenses (Note 4)	6,666,145	6,514,640
Total non-current liabilities	7,013,617	7,281,277
Total liabilities	26,321,284	23,393,907
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 6)	522,746	74,022
NET POSITION		
Net position (Note 5):		
Net investment in capital assets	766,320	793,580
Unrestricted	14,515,115	18,546,436
Total net position	$ 15,281,435	$ 19,340,016

See accompanying notes to basic financial statements.

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Deposit premiums	$ 8,192,005	$ 7,937,283
Excess insurer returns/premium adjustments	413,330	402,376
Other income	79,895	6,169
Total operating revenues	8,685,230	8,345,828
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 4)	6,169,160	2,876,511
Excess insurance	2,175,665	2,095,621
Salaries and benefits	1,232,952	690,415
Professional services	905,306	897,642
Maintenance and operations	307,505	340,148
Member dividends/returns	1,885,011	1,324,735
Total operating expenses	12,675,599	8,225,072
Operating income (loss)	(3,990,369)	120,756
Non-operating income:		
Investment earnings	466,197	435,041
Net increase (decrease) in fair value of investments	(534,409)	505,041
Total non-operating income (loss)	(68,212)	940,082
Change in net position	(4,058,581)	1,060,838
Net position at beginning of year	19,340,016	18,279,178
Net position at end of year	$ 15,281,435	$ 19,340,016

See accompanying notes to basic financial statements.

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2017, and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from members for deposits/premiums	$ 7,684,313	$ 7,228,463
Other income received	79,895	6,169
Cash payments to suppliers for goods and services	(3,627,572)	(2,476,127)
Cash payments for claims	(4,287,655)	(2,451,917)
Cash payments for employee services	(722,408)	(1,360,611)
Net cash provided by (used in) operating activities	(873,427)	945,977
Cash flows from investing activities:		
Interest received	709,660	145,202
Proceeds from sale and maturities of investment securities	17,508,166	12,840,467
Purchase of investment securities	(18,185,624)	(16,390,574)
Net cash provided (used) by investing activities	32,202	(3,404,905)
Net decrease in cash and cash equivalents	(841,225)	(2,458,928)
Cash and cash equivalents at beginning of year	2,658,168	5,117,096
Cash and cash equivalents at end of year	$ 1,816,943	$ 2,658,168
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (3,990,369)	$ 120,756
Depreciation	27,260	50,614
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
(Increase) decrease:		
Accounts receivable	(730,233)	555,251
Member receivables	(63,982)	(206,921)
Prepaid expenses	(5,440)	(2,759)
Deposit with others	20,493	(20,835)
Deferred outflows	492,743	(738,245)
Increase (decrease):		
Accounts payable	130,085	21,152
Property valuation	-	(8,484)
Compensated absences	5,859	2,915
Member deposits	1,329,093	687,556
Other post employment benefits	14,450	11,137
Net pension liability	(433,615)	162,900
Unpaid claims and claim adjustment expenses	1,881,505	424,594
Deferred inflows	448,724	(113,654)
Net cash provided (used) by operating activities	$ (873,427)	$ 945,977
Non-cash capital, financing and investing activities:		
Change in fair value of investments	$ (534,409)	$ 505,041

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

Public Entity Risk Management Authority (PERMA) was formed July 25, 1985 under a joint exercise of powers agreement between local governments and special districts for the purpose of jointly funding programs of insurance under Section 990 of the California Government Code.

PERMA is governed by a Board of Directors, which is composed of one director from each member organization which maintains membership in the Liability program.

PERMA provides the following coverage programs, as described below, to its membership: Liability, Workers' Compensation, Crime Coverage, Cyber Liability, Employment Practices Liability, Property, Employee Benefits and Special Events. In addition to the coverage programs, PERMA provides risk management services, which includes training in areas needed by the member.

All members must participate in the Liability program and may elect to participate in the other programs. Members withdrawing from a program may be assessed a premium upon final disposition of all known and future claims arising from losses incurred by that program during the period of the agency's participation. After completing three years as a participating member and upon proper notice, a governmental agency may elect to withdraw from its status as a member at the end of a policy year.

If PERMA experiences an unusually large number of losses during a policy year, the funds for a given program may become exhausted. In such a case, the Board may impose premium surcharges on all members who were in the program at the time such loss or losses occurred in order to pay necessary costs. However, annual surcharges shall not exceed an amount equal to three times the member's annual premium for the policy year in which such loss occurred. Each member surcharge shall be based upon its pro rata share of premiums paid in said year. It is understood this does not limit PERMA from imposing surcharges in future years, even losses for which a levy may have been imposed in a previous year.

Insurance Programs

Liability Program

The Liability program provides defense and indemnity coverage against claims and suits arising from covered occurrences.

For the years ended June 30, 2017 and 2016, the limits of coverage are $50 million per occurrence. The coverage is provided through a primary maximum exposure to PERMA of $1 million through risk sharing pools, followed by membership in the CSAC Excess Insurance Authority (EIA) for $49 million excess liability coverage.

Within PERMA's $1 million retention, each member selects its self-insured retention of $0, $5,000 (effective July 1, 2015), $10,000, $25,000, $50,000, $75,000, $100,000, $125,000, $250,000, or $500,000. Each member assumes its own losses up to its retention level. The member participates in a multi-level risk sharing pool arrangement for coverage above its retention. PERMA maintains member's equity accounts for each pool member.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance Programs (Continued)

Liability Program (Continued)

The annual deposit premiums are approved by the Board of Directors and are intended to cover PERMA's claim expenses, settlements, and operating costs. Annual deposit premiums are based on actuarially-determined rates for each coverage layer (pool), based on an estimate of the probable losses, and budgeted administrative costs of PERMA for the year in question. Member deposit premiums are subject to retrospective rating adjustments.

PERMA administers the claims of the membership. Members have the option of having a Third-Party Administrator (TPA) administer their claims or administering their own claims within their retention. Either option is subject to Board approval.

Workers' Compensation Program

The Workers' Compensation program provides statutory benefits for employee injuries arising out of and in the course of employment.

For the years ended June 30, 2017 and 2016, the limits of coverage are statutory per accident for workers' compensation and $5 million each accident for employers' liability. Coverage is provided through a primary maximum exposure to PERMA of $500,000 through a risk sharing pool, followed by membership in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess coverage.

Within PERMA's $500,000 retention, each member selects its self-insured retention of $50,000, $100,000, $150,000, $200,000, $250,000 or $500,000. The $50,000 to $200,000 retentions were effective July 1, 2015. Each member assumes its own losses up to its retention level. The member participates in a multi-level risk sharing pool arrangement for coverage above its retention. PERMA maintains member's equity accounts for each pool member.

The annual deposit premiums are approved by the Board of Directors and are intended to cover PERMA's claim expenses, settlements, and operating costs. Annual deposit premiums are based on actuarially-determined rates for each coverage layer (pool), based on an estimate of the probable losses, and budgeted administrative costs of PERMA for the year in question. Member deposit premiums are subject to retrospective rating adjustments.

Within the member's retention, the pool will advance funds to pay member losses in excess of member funds on deposit in the manner of a banking pool. Participant deposit premiums are subject to retrospective rating adjustments. Amounts held by PERMA on behalf of the participants are accounted for as member deposits in the accompanying financial statements. Member's claims within retention and third party administration fees paid by PERMA are charged against each member's deposit and are not charged to PERMA operations as an expense.

Workers' Compensation Program (Continued)

PERMA contracts with AdminSure, CorVel Corporation, and York Risk Services Group for Workers' Compensation claims administration.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance Programs (Continued)

Crime Coverage Program

The Crime Coverage program provides public employee dishonesty, forgery or alteration, and computer fraud coverage.

Cyber Liability Program

The Cyber Liability program provides coverage for information security & privacy liability, privacy notification costs, regulatory defense & penalties, website media content liability, cyber extortion, first party data protection & business interruption losses. The program provides its insureds with access to a breach response team consisting of privacy expert attorneys, forensic specialists to determine scope of breach, notification vendors, and credit monitoring services at preferred rates.

Employment Practices Liability Program

The Employment Practices Liability (EPL) program provides members coverage for employment related lawsuits, such as wrongful termination and discrimination, through participation in the Employment Risk Management Authority (ERMA).

Property Insurance Program

The Property Insurance program is group purchased under a Master Property Insurance Policy with accumulated property and vehicle values from all participants effecting lower rates and broader coverage for members.

The program covers real property, business personal property, inland marine coverage for special mobile equipment, business interruption, and auto physical damage. Optional earthquake coverage is available. Coverage is written on an all risk basis, eliminating the traditional commercial “named peril” policy.

Employee Benefits Program

This is a fully insured program providing a wide range of health and welfare benefits and services to the membership.

Special Events Program

The Special Events program allows members of the public to purchase Liability Insurance at a substantially reduced cost for functions held on member premises (such as weddings, meetings, parades), transferring the risk of liability from the member organization to the group sponsoring the event.

Measurement Focus

The accounts of PERMA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Enterprise funds, which fall under the Proprietary Fund Type category, are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing services to the members on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds are accounted for on a *flow of economic resources* measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position. Their reported net position is segregated into investment in capital assets and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Excess Insurance

PERMA enters into excess insurance agreements, whereby, it cedes various amounts of risk to other insurance companies. Risks ceded to insurance companies are treated as though they were not risks for which PERMA is liable. Settlements have not exceeded insurance coverage in each of the past three years.

Investments

Investments are reported in the accompanying Statement of Net Position at fair value. *Investment earnings* include interest income and any gains or losses realized upon the liquidation, maturity, or sale of investments. Changes in fair value that occur during a fiscal year are recognized as *net increase (decrease) in fair value of investments* reported for that fiscal year.

PERMA pools cash and investments for all programs. Each program's share in this pool is displayed in the accompanying financial statements. Investment earnings of pooled investments are allocated to the various programs based on each program's average cash and investment balance.

Cash and Cash Equivalents

PERMA considers short-term, highly liquid investments, purchased within three months of maturity to be cash equivalents, including LAIF, for purposes of the statement of cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Receivables / Member Deposits

Member receivables and member deposits represent funds due to PERMA and funds held by PERMA, respectively, for the payment of member claims and other expenses that do not involve a transfer of risk.

Capital Assets

Capital assets include furniture, equipment, and software with a cost of $5,000 or more and buildings and building improvements with a cost of $50,000 or more. Capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement would be reported at acquisition value if PERMA had such assets, which it does not. Capital assets are depreciated using the straight-line methodology over the asset's estimated useful life as follows:

Buildings and improvements	40 years
Furniture and Equipment	5 years
Software	5 years

Compensated Absences

Compensated absences reflect the accrued benefits due employees at June 30, 2017 and 2016.

Revenue Recognition

Deposit premiums are recognized as revenue when earned based upon the coverage period of the related insurance. To the extent that allocated losses exceed contributions previously paid, interest and other income, PERMA can assess its members additional premiums. Operating revenues and expenses include all activities necessary to achieve the objectives of PERMA. Non-operating revenues and expenses include investment activity.

Provision for Unpaid Claims and Claim Adjustment Expenses

PERMA establishes unpaid claims and claim adjustment expenses 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 subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount.

Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors. 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 reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of the outstanding claims liability is estimated using known claim information at June 30 and the previous three years payment pattern.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Confidence Level Used by PERMA

The liability for unpaid claims and claim adjustment expenses must be measured in terms of a confidence level because the actual development and outcome of claims (and of losses incurred but not reported as claims) cannot be known with absolute certainty. Confidence level measures the degree of certainty in estimating the liability for unpaid claims and claim adjustment expenses. For example, a 55% confidence level means that 55% of the time, the methodology and assumptions used by the actuary will produce an estimate of the liability for unpaid claims and claim adjustment expenses that is equal to (or greater than) the actual amount that will be paid for those claims and losses. Currently, PERMA utilizes a 55% confidence level for the purpose of valuing the liability for unpaid claims and claim adjustment expenses in the accompanying Statement of Net Position.

Income Taxes

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

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 that 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 those estimates.

Comparative Data

Totals for the prior year have been presented in the accompanying financial statements for comparison purposes. However, these totals do not represent a complete presentation of the prior year data in accordance with accounting principles generally accepted in the United States of America because a breakdown by program has not also been presented.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERMA's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2017 and 2016 are reported at fair value and consisted of the following:

	2017	2016
Cash and cash equivalents:		
Petty Cash	$ 150	$ 150
Cash in bank	184,581	136,334
Money market funds	31,618	59,713
State investment pool (LAIF)	1,600,594	2,461,971
Total cash and cash equivalents	1,816,943	2,658,168
Investments:		
Local agency obligations	667,675	1,284,938
U.S. Treasury obligations	17,055,199	18,787,666
Federal agency securities	7,962,230	6,046,226
Commercial paper	1,147,074	-
Certificates of deposit	1,651,385	2,628,963
Medium-term corporate notes	6,952,883	7,658,755
Asset-backed securities	2,082,534	1,236,591
Total Investments	37,518,980	37,643,139
Total cash and cash equivalents and investments:	$ 39,335,923	$ 40,301,307

	2017	2016
Reconciliation to Statement of Net Position:		
Current assets:		
Cash and cash equivalents	$ 1,816,943	$ 2,658,168
Investments	5,365,689	2,902,262
	7,182,632	5,560,430
Non-current assets:		
Investments	32,153,291	34,740,877
Total	$ 39,335,923	$ 40,301,307

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and PERMA's Investment Policy

The table below identifies the investment types that are authorized for PERMA by the California Government Code and PERMA's investment policy. The table also identifies certain provisions of the California Government Code (or PERMA's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
California Local Agency Obligations	Yes	10 years	100%	5%
U.S. Treasury Obligations	Yes	10 years	100%	None
Federal Agency Securities	Yes	10 years	100%	None
Banker's Acceptances	Yes	180 days	40%	5%
Commercial Paper	Yes	270 days	25%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Non-negotiable Certificates of Deposit	Yes	2 years	25%	5%
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Corporate Notes	Yes	5 years	30%	5%
Mutual Funds	No	N/A	N/A	N/A
Money Market Funds	Yes	N/A	20%	None
Asset-Backed Securities	Yes	5 years	20%	5%
Supranationals	Yes	5 years	30%	None
State of California Obligations	Yes	5 years	100%	5%
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	$65 million	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

PERMA's investment policy allows a maximum of 25% of the portfolio to be invested for more than five years but not to exceed ten years.

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 PERMA 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.

Information about the sensitivity of the fair values of PERMA's investments to market interest rate fluctuations is provided by the following tables that show the distribution of PERMA's investments by maturity at June 30, 2017 and 2016:

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

	Remaining Maturity (in years) at June 30, 2017			
Investment Type	Total	Less than 1 year	1 to 5 years	5 to 10 years
Local agency obligations	$ 667,675	$ 667,675	$ -	$ -
U.S. Treasury obligations	17,055,199	-	10,060,567	6,994,632
Federal agency securities	7,962,230	334,132	6,219,996	1,408,102
Commercial paper	1,147,074	1,147,074	-	-
Certificates of deposit	1,651,385	900,245	751,140	-
Medium-term corporate notes	6,952,883	2,316,563	4,636,320	-
Asset-backed securities	2,082,534	-	2,082,534	-
Total	$ 37,518,980	$ 5,365,689	$ 23,750,557	$ 8,402,734

	Remaining Maturity (in years) at June 30, 2016			
Investment Type	Total	Less than 1 year	1 to 5 years	5 to 10 years
Local agency obligations	$ 1,284,938	$ -	$ 1,284,938	$ -
U.S. Treasury obligations	18,787,666	-	11,753,495	7,034,171
Federal agency securities	6,046,226	-	3,716,660	2,329,566
Commercial paper	-	-	-	-
Certificates of deposit	2,628,963	1,726,652	902,311	-
Medium-term corporate notes	7,658,755	1,175,610	6,483,145	-
Asset-backed securities	1,236,591	-	1,236,591	-
Total	$ 37,643,139	$ 2,902,262	$ 25,377,140	$ 9,363,737

PERMA's portfolio includes the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

	Fair Value at June 30, 2017	Fair Value at June 30, 2016
Callable Federal agency securities	$ -	$ 500,534
Callable Certificates of deposit	$ 650,061	$ 652,176
Callable Medium-term corporate notes	$ 1,275,525	$ 1,285,927

These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair value of these securities highly sensitive to changes in interest rates.

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, PERMA's investment policy, or debt agreements, and the actual Standard and Poor's ratings as of June 30, 2017 and 2016 for each investment type.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

Investment Type	Amount	Not Rated	Ratings as of June 30, 2017 AAA/A-1	AA	A	AAAm	BBB
Money market funds	$ 31,618	$ -	$ -	$ -	-	$ 31,618	$ -
State investment pool (LAIF)	1,600,594	1,600,594	-	-	-	-	-
Local agency obligations	667,675	175,000	-	492,675	-	-	-
U.S. Treasury obligations	17,055,199	-	-	17,055,199	-	-	-
Federal agency securities	7,962,230	-	-	7,962,230	-	-	-
Commercial paper	1,147,074	-	1,147,074	-	-	-	-
Certificates of deposit	1,651,385	-	250,184	650,061	751,140	-	-
Medium-term corporate notes	6,952,883	-	-	1,531,358	4,017,420	-	1,404,105
Asset-backed securities	2,082,534	629,132	1,453,402	-	-	-	-
Total	$39,151,192	$2,404,726	$2,850,660	$27,691,523	$ 4,768,560	$ 31,618	$1,404,105

Investment Type	Amount	Not Rated	Ratings as of June 30, 2016 AAA/A-1	AA	A	AAAm	BBB
Money market funds	$ 59,713	$ -	$ -	$ -	-	$ 59,713	$ -
State investment pool (LAIF)	2,461,971	2,461,971	-	-	-	-	-
Local agency obligations	1,284,938	176,398	-	1,108,540	-	-	-
U.S. Treasury obligations	18,787,666	-	-	18,787,666	-	-	-
Federal agency securities	6,046,226	-	-	6,046,226	-	-	-
Commercial paper	-	-	-	-	-	-	-
Certificates of deposit	2,628,963	-	1,325,025	1,303,938	-	-	-
Medium-term corporate notes	7,658,755	-	-	2,285,542	3,953,436	-	1,419,777
Asset-backed securities	1,236,591	633,952	602,639	-	-	-	-
Total	$40,164,823	$3,272,321	$1,927,664	$29,531,912	$ 3,953,436	$ 59,713	$1,419,777

Concentration of Investment Credit Risk

The investment policy of PERMA contains some limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities and external investment pools) that represented 5% or more of total PERMA investments for the years ended June 30, 2017 and 2016 are as follows:

Issuer	Investment Type	2017	%
FNMA	Federal agency securities	$ 3,293,880	8.4%
FHLMC	Federal agency securities	$ 2,564,906	6.5%
FHLB	Federal agency securities	$ 2,143,007	5.4%

Issuer	Investment Type	2016	%
FNMA	Federal agency securities	$ 2,012,089	5.0%

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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 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. The California Government Code and PERMA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure PERMA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017 and 2016, there were no deposits with financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts.

Fair Value Measurements

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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. Investments' fair value measurements at June 30, 2017 and 2016 are as shown below:

	Fair Value Measurements at June 30, 2017			
Investment Type	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 31,618	$ -	$ 31,618	$ -
State investment pool (LAIF)	1,600,594	-	1,600,594	-
Local agency obligations	667,675	-	667,675	
U.S. treasury obligations	17,055,199	17,055,199	-	-
Federal agency securities	7,962,230	-	7,962,230	-
Commercial paper	1,147,074	-	1,147,074	-
Certificates of deposit	1,651,385	-	1,651,385	-
Medium-term corporate notes	6,952,883	-	6,952,883	-
Asset-backed securities	2,082,534	-	2,082,534	-
Total	$ 39,151,192	$ 17,055,199	$ 22,095,993	$ -

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value Measurements (continued)

Investment Type	Fair Value Measurements at June 30, 2016			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 59,713	$ -	$ 59,713	$ -
State investment pool (LAIF)	2,461,971	-	2,461,971	-
Local agency obligations	1,284,938	-	1,284,938	-
U.S. treasury obligations	18,787,666	18,787,666	-	-
Federal agency securities	6,046,226	-	6,046,226	-
Commercial paper	-	-	8,895,346	-
Certificates of deposit	2,628,963	-	2,628,963	-
Medium-term corporate notes	7,658,755	-	7,658,755	-
Asset-backed securities	1,236,591	-	1,236,591	-
Total	$ 40,164,823	$ 18,787,666	$ 21,377,157	$ -

Investment in State Investment Pool

PERMA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of PERMA's investment in this pool is reported in the accompanying financial statements at amounts based upon PERMA'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.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's Office. The maximum investment in LAIF is $65,000,000 and each regular LAIF account is permitted 15 transactions per month with a minimum transaction amount of $5,000.

Realized Gains and Losses

For the years ended June 30, 2017 and 2016, PERMA's investment portfolio realized a net gain of $5,354 and $72,095, respectively, from the sale of investments. For the year ended June 30, 2017, $9,343 was recognized as a realized net gain to PERMA and $3,989 as a realized loss to member deposits. For the year ended June 30, 2016, $48,233 was recognized as a realized net gain to PERMA and $23,862 as a realized net gain to member deposits. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase (decrease) in the fair value of PERMA's total investment portfolio for the years ended June 30, 2017 and 2016, was ($804,844) and $752,971, respectively. For the year ended June 30, 2017, ($534,409) was apportioned to PERMA and ($270,435) to member deposits. For the year ended June 30, 2016, $505,041 was apportioned to PERMA and $247,929 to member deposits. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the respective year. The unrealized gain (loss) on PERMA's investment portfolio held at June 30, 2017 and 2016 was ($132,608) and 672,236, respectively.

3. CAPITAL ASSETS

The following are the schedule of changes in capital assets for the years ended June 30, 2017 and 2016.

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets being depreciated:				
Buildings	$ 897,155	$ -	$ -	$ 897,155
Furniture and equipment	158,385	-	-	158,385
Software	66,973	-	-	66,973
Total capital assets being depreciated	1,122,513	-	-	1,122,513
Less accumulated depreciation:				
Buildings	(108,406)	(22,429)	-	(130,835)
Furniture and equipment	(153,860)	(4,525)	-	(158,385)
Software	(66,667)	(306)	-	(66,973)
Total accumulated depreciation	(328,933)	(27,260)	-	(356,193)
Total capital assets, net	$ 793,580	$ (27,260)	$ -	$ 766,320

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets being depreciated:				
Buildings	$ 897,155	$ -	$ -	$ 897,155
Furniture and equipment	158,471	-	(86)	158,385
Software	66,973	-	-	66,973
Total capital assets being depreciated	1,122,599	-	(86)	1,122,513
Less accumulated depreciation:				
Buildings	(85,977)	(22,429)	-	(108,406)
Furniture and equipment	(127,603)	(26,343)	86	(153,860)
Software	(64,825)	(1,842)	-	(66,667)
Total accumulated depreciation	(278,405)	(50,614)	86	(328,933)
Total capital assets, net	$ 844,194	$ (50,614)	$ -	$ 793,580

For the years ended June 30, 2017 and 2016, depreciation expense in the amount of $27,260 and $50,614, respectively, was recognized by PERMA.

4. UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, PERMA establishes a liability for both reported and unreported insured events. The following represented changes in aggregate liabilities during the years ended June 30, 2017 and 2016:

	2017	2016
Unpaid claims and claim adjustment expenses at beginning of year	$ 8,524,640	$ 8,100,046
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	2,034,599	2,282,264
Change in provision for insured events of prior years	4,134,561	594,247
Total incurred claims and claim adjustment expenses	6,169,160	2,876,511
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(66,323)	(315,907)
Claims and claim adjustment expenses attributable to insured events of prior years	(4,221,332)	(2,136,010)
Total payments	(4,287,655)	(2,451,917)
Total unpaid claims and claim adjustment expenses at end of year	$ 10,406,145	$ 8,524,640

Unpaid claims and claim adjustment expenses of $10,912,133 and $8,983,918 at June 30, 2017 and 2016 are presented at their net present value of $10,406,145 and $8,524,640, respectively. These liabilities were discounted at an annual rate of 2%.

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

	2017	2016
Reported claims	$ 6,377,017	$ 4,628,653
Claims incurred but not reported (IBNR)	3,533,598	3,490,052
Unallocated loss adjustment expenses	495,530	405,935
Total	10,406,145	8,524,640
Less current portion	(3,740,000)	(2,010,000)
Non-current portion	$ 6,666,145	$ 6,514,640

5. TOTAL NET POSITION

Total net position is based upon the equity position of each policy year. Some policy years report an excess of premiums over estimated claims and expenses, which results in positive equity. Other policy years report a deficiency of premiums, which results in a deficit position. This is an approximation at this time and is subject to future changes in premium contributions and claims data. As of June 30, 2017 and 2016, the total net position for the General Liability risk sharing pool and the Workers' Compensation risk sharing pool are estimated as follows:

Program	2017	2016
General Liability	$ 13,428,839	$ 17,621,150
Workers' Compensation	1,852,596	1,718,866
Total Net Position	$ 15,281,435	$ 19,340,016

6. PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in PERMA's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and PERMA resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.5%
Required employer contribution rates	12.429%	6.93%

6. PENSION PLAN (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer-Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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

As of June 30, 2017, PERMA reported $271,700 in net pension liabilities for its proportionate share of the net pension liability of the Plan.

PERMA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. PERMA's proportion of the net pension liability was based on a projection of PERMA's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. PERMA's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

Proportion – June 30, 2015	0.01028%
Proportion – June 30, 2016	0.00314%
Change – Increase (Decrease)	(0.00714%)

For the year ended June 30, 2017, PERMA recognized pension expense of $507,852. At June 30, 2017, PERMA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 63,570	$ 0
Differences between actual and expected experience	3,301	(756)
Changes in assumptions	0	(31,234)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	0	(391,494)
Net differences between projected and actual earnings on plan investments	261,826	(99,262)
Total	$ 328,697	$ (522,746)

6. PENSION PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

$63,570 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	
2018	$ (101,958)
2019	(100,418)
2020	(57,380)
2021	(30,685)
2022	32,822
Thereafter	0

Actuarial Assumptions

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses, includes inflation
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality rate table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on CalPERS' website.

Change of Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2016. The reported deferred inflows of resources for changes of assumptions is the unamortized portion of the changes of assumptions for prior measurement periods.

6. PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	Current Target Allocation	Real Return Years 1 – 10 [1]	Real Return Years 11+ [2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)

[1] An expected inflation of 2.5% used for this period
[2] An expected inflation of 3.0% used for this period

6. PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents PERMA's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what PERMA's proportionate share of the net pension liability would be if it were calculated using a discount rate this is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$756,089
Current Discount Rate	7.65%
Net Pension Liability	$271,700
1% Increase	8.65%
Net Pension Liability	($128,624)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017, PERMA had no amount payable to the Pension Plan for the year ended June 30, 2017; all contributions to the pension plan required for the year were paid.

7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

PERMA provides a single-employer, defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members. Spouses are also covered throughout his or her life. PERMA only pays up to the required minimum employer premium contribution calculated using the unequal contribution method. Under this method, PERMA's contributions for the retiree is calculated by the number of years PERMA has participated in CalPERS, multiplied by at least five percent (5%), and multiplied by the current employer contribution toward active employees, which is adjusted based on the medical care portion of the Consumer Price Index.

Funding Policy

PERMA's Board of Directors will not be funding the plan in the current year. The Board will review the funding requirements and policy annually.

7. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

PERMA's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). PERMA has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 30 years. The following table shows the components of PERMA's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	$ 17,525
Interest on net OPEB obligation	1,533
Adjustment to annual required contribution	(1,903)
Annual OPEB cost (expense)	17,155
Contributions made	2,705
Increase in net OPEB obligation	14,450
Net OPEB obligation - beginning of year	61,322
Net OPEB obligation - end of year	$ 75,772

PERMA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three fiscal years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 13,949	17%	$ 50,185
June 30, 2016	$ 13,880	20%	$ 61,322
June 30, 2017	$ 17,155	16%	$ 75,772

Funding Status and Funding Progress

As of July 1, 2016, the actuarial accrued liability (AAL) for benefits was $161,354, all of which is unfunded. This unfunded actuarial accrued liability (UAAL) is 30.5% of the annual covered payroll of $528,760.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

7. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Methods and Assumptions

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

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – Healthcare cost trend rates were selected based on a combination of national and state trend surveys as well as professional judgment. The ultimate trend rate was 4.0%.

Health insurance premiums – 2016 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid. An employee is assumed to continue with the same medical plan upon retirement. If an employee waived medical coverage, then such waiver is assumed to continue into retirement.

Medicare Coordination – Medicare was assumed as the primary payer for current and future retirees at age 65.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 3.0% annually.

Discount rate – The calculation uses an annual discount rate of 2.5%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2016 was twenty-five years.

Plan for Funding

On an ongoing basis, the Authority will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for post-employment benefits out of interest earned on designated funds.

8. DEFERRED COMPENSATION PLAN

PERMA offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all PERMA employees, permits them to defer a portion of their salaries until future years. Participants can elect to contribute 100% of their annual compensation, not to exceed $18,000. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. The Plan assets are held in trust for the exclusive benefit of Plan participants and their beneficiaries and, therefore, are excluded from the accompanying financial statements.

9. JOINT POWERS AGREEMENT

PERMA participates in three joint powers authorities (JPAs) with CSAC Excess Insurance Authority (EIA), Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) and Employment Risk Management Authority (ERMA). The relationship between PERMA and the JPAs is such that the JPAs are not component units of PERMA for financial reporting purposes.

The joint powers authorities are governed by boards of directors consisting of representatives of the member agencies. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member agency pays a premium commensurate with the level of coverage requested. As a member of the JPAs, PERMA is entitled to retrospective premium adjustments for those claim years where costs were more or less than expected.

<u>CSAC Excess Insurance Authority</u>

CSAC-EIA is a Joint Powers Authority established under California Government Code § 6500 et seq. in October 1979. The EIA operates programs for excess and primary workers' compensation, two excess liability programs, a primary liability program, a property program, a medical malpractice program, an employee health benefit program, a dental program and a miscellaneous program for other coverages. The EIA also provides support services for selected programs such as claims administration, risk management, claims audits, loss prevention and training and subsidies for actuarial studies and risk management services.

The EIA is governed by a 65 member Board of Directors. The Authority's Board of Directors elects from its membership a President, Vice President and nine members to serve as the Executive Committee. The day-to-day operations of the EIA are conducted by the Chief Executive Officer who is responsible for administration of policies set forth by the Joint Powers Agreement, Bylaws, Board of Directors and Executive Committee.

PERMA has been a member of CSAC-EIA since July 1, 2008, and participates in the General Liability I (GLI) Program for excess liability insurance which provides coverage up to $50 million in excess of $1 million and in the Cyber Liability Program for information security & privacy insurance which provides coverage up to $2 million. PERMA also participates in the dental program for staff dental benefits.

9. JOINT POWERS AGREEMENT (Continued)

Local Agency Workers' Compensation Excess Joint Powers Authority

LAWCX was formed on July 1, 1992, as a state-wide joint powers authority to self-insure and pool excess workers' compensation losses. The Program was established exclusively for California self-insured joint powers authorities, individual public entities, and special districts. The LAWCX program is designed to provide all services necessary and appropriate for the establishment, operation, and maintenance of a joint program of excess workers' compensation coverage for its member agencies.

LAWCX offers self-insured retentions (SIR) ranging from $150,000 to $1,000,000 or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member's SIR up to $5 million. There are three pool layers which are funded using actuarially determined rate factors. One layer is known as the $150k pool; another as the $250k pool and the third as the $2 million to $5 million mid-layer pool. For excess coverage, LAWCX is a member of CSAC-EIA which provides coverage up to statutory limits.

LAWCX is governed by a 34 member Board of Directors. The Board of Directors elects from its membership, a President, Vice President and seven members to serve as the Executive Committee. LAWCX contracts with Bickmore Risk Services to handle the day-to-day operations of LAWCX.

PERMA was a founding member of LAWCX, but withdrew on July 1, 2000, and later rejoined on September 1, 2003. PERMA's General Manager, Scott Ellerbrock, is the appointed director on the LAWCX Board and is Past-President and a member of the Executive Committee. PERMA's Financial Analyst, Michael Caton, is the alternate director.

Employment Risk Management Authority (ERMA)

ERMA is a public entity joint powers authority, created in 1999 by and among various underlying joint powers authorities in California to provide the state's only pooled approach to exclusively covering and providing loss prevention and litigation management services for the employment practices liability (EPL) exposure for California public entities. ERMA consists of eleven primary members, consisting of nine joint powers authorities and two housing authorities. The JPA's underlying members are also direct members of ERMA and are made up of municipalities and special districts. ERMA provides coverage from each underlying member's individual SIR up to $1 million. Members currently attach to the pool at SIRs ranging from $25,000 to $500,000. Optional excess insurance to $2 million is available for those members who chose to purchase that additional coverage through ERMA.

ERMA is governed by a Board of Directors, which is composed of one director from each member organization. The Board of Directors elects from its membership, a President, Vice President and a few members to serve as the Underwriting and Coverage Committees. ERMA contracts with Bickmore Risk Services to handle the day-to-day operations of ERMA.

PERMA became a member of ERMA on September 14, 2000. PERMA's General Manager, Scott Ellerbrock, is the appointed director on the ERMA Board and is the elected President and a member of the subcommittees. PERMA's Claims Manager, Kerry Trost, is the alternate director.
On May 16, 2017, the ERMA Board approved a retrospective adjustment of $3 million. PERMA's share of the return was $528,695. Since the EPL program is a non-risk sharing program, essentially a pass-through, the return was apportioned to the members based on their share of premiums over the various policy years and distributed directly to the members.

9. JOINT POWERS AGREEMENT (Continued)

Condensed Financial Information.

Condensed financial information for the fiscal year ended June 30, 2016 (the most current information available) is as follows:

	CSAC-EIA	LAWCX	ERMA
Total assets & deferred outflows	$ 741,987,349	$ 82,192,055	$ 25,902,578
Total liabilities & deferred inflows	604,314,732	73,091,913	11,250,563
Net position	$ 137,672,617	$ 9,100,142	$ 14,652,015
Revenues	$ 786,991,982	$ 15,100,104	$ 6,387,690
Expenses	761,726,010	16,125,284	8,217,805
Change in net position	$ 25,265,972	$ (1,025,180)	$ (1,830,115)

10. CONTINGENCIES

PERMA is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of PERMA. As of June 30, 2017, PERMA is not aware of any such contingencies.

11. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through September 21, 2017 which is the date these financial statements were available for issue. Events occurring after this date have not been factored into these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES

Schedule of PERMA's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date – Last 10 Years*

	06/30/2014	06/30/2015	06/30/2016
Proportion of the net pension liability	0.008717%	0.010276%	0.003140%
Proportionate share of the net pension liability	$ 542,415	$ 705,315	$ 271,700
Covered – employee payroll	$ 466,481	$ 490,325	$ 520,377
Proportionate Share of the net pension liability as percentage of covered-employee payroll	116.28%	143.85%	52.21%
Plan's fiduciary net position	$ 2,653,667	$ 2,627,361	$ 3,326,199
Plan's fiduciary net position as a percentage of the total pension liability	0.020240%	0.019263%	0.023103%

Schedule of Pension Plan Contributions – Last 10 Years*

	FY 2014/15	FY 2015/16	FY 2016/17
Actuarially Determined Contribution	$ 83,195	$ 92,378	$ 63,570
Contributions in Relation to the Actuarially Determined Contribution	(83,195)	(92,378)	(63,570)
Contribution Deficiency (Excess)	$ -	-	$ -
Covered-employee payroll	$ 490,325	$ 520,377	$ 528,760
Contributions as a Percentage of Covered-Employee Payroll	16.97%	17.75%	12.02%

Notes to Pension Plan Schedules

Refer to Note 6 for a description of the Plan.
Change in Benefit Terms: None
Change in Assumptions: Effective 06/30/15 measurement date, the discount rate changed from 7.5% to 7.65%.
* - Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

Schedule of Funding Progress – Other Post Employment Benefits (OPEB)

Refer to Note 7 for a description of the Plan.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
07/01/2010	$ 94,297	$ -	$ 94,297	0%	$ 443,914	21.2%
07/01/2013	$ 141,384	$ -	$ 141,384	0%	$ 464,775	30.4%
07/01/2016	$ 161,354	$ -	$ 161,354	0%	$ 528,760	30.5%

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

LIABILITY PROGRAM

For the Years Ended June 30, 2017 and 2016

	2017	2016
Unpaid claims and claim adjustment expenses at beginning of year	$ 4,670,510	$ 5,086,477
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	1,728,545	1,612,305
Change in provision for insured events of prior years	3,476,843	(270,824)
Total incurred claims and claim adjustment expenses	5,205,388	1,341,481
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(66,323)	(65,907)
Claims and claim adjustment expenses attributable to insured events of prior years	(3,121,990)	(1,691,541)
Total payments	(3,188,313)	(1,757,448)
Total unpaid claims and claim adjustment expenses at end of year	$ 6,687,585	$ 4,670,510

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

	2017	2016
Reported claims	$ 3,812,583	$ 2,048,732
Claims incurred but not reported (IBNR)	2,556,546	2,399,373
Unallocated loss adjustment expenses	318,456	222,405
Total	6,687,585	4,670,510
Less current portion	(3,030,000)	(1,570,000)
Non-current portion	$ 3,657,585	$ 3,100,510

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

WORKERS' COMPENSATION PROGRAM

For the Years Ended June 30, 2017 and 2016

	2017	2016
Unpaid claims and claim adjustment expenses at beginning of year	$ 3,854,130	$ 3,013,569
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	306,054	669,959
Change in provision for insured events of prior years	657,718	865,071
Total incurred claims and claim adjustment expenses	963,772	1,535,030
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	-	(250,000)
Claims and claim adjustment expenses attributable to insured events of prior years	(1,099,342)	(444,469)
Total payments	(1,099,342)	(694,469)
Total unpaid claims and claim adjustment expenses at end of year	$ 3,718,560	$ 3,854,130

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

	2017	2016
Reported claims	$ 2,564,434	$ 2,579,921
Claims incurred but not reported (IBNR)	977,052	1,090,679
Unallocated loss adjustment expenses	177,074	183,530
Total	3,718,560	3,854,130
Less current portion	(710,000)	(440,000)
Non-current portion	$ 3,008,560	$ 3,414,130

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION

For the Year Ended June 30, 2017

The tables that follow illustrates how PERMA's earned revenues (net of excess insurance) and investment income compared to related costs of loss and other expenses assumed by PERMA as of the end of each of the previous ten years for the liability program and workers' compensation program. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned deposit premiums, assessments and reported investment revenue, amounts of excess insurance premiums paid, and net earned premiums (net of excess insurance) and reported investment revenue.

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

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

4. Cumulative net amounts paid as of the end of successive years for each policy year.

5. The latest reestimated amount of losses assumed by excess insurers each policy year.

6. Each fiscal year's net incurred losses increases or decreases as of the end of successive years. This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.

7. Compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature policy years.

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

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION
LIABILITY PROGRAM

June 30, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(1) Deposit premiums	$ 5,756,967	$ 5,183,134	$ 5,661,644	$ 5,577,758	$ 5,457,804	$ 5,056,602	$ 5,005,347	$ 5,193,190	$ 5,175,793	$ 5,246,863
Investment revenues	553,418	439,816	447,117	256,252	195,746	109,053	178,658	136,855	92,727	(4,538)
Assessments (return of contributions):										
PERMA	(289,971)	(1,106,001)	(1,072,913)	(380,181)	(208,758)	(12,294)	-	-	-	-
Other agencies	313,663	10,639	13,795	13,312	12,583	11990	5,675	5,649	5,823	-
Excess insurance	(1,582,193)	(706,990)	(903,050)	(824,266)	(865,207)	(850,862)	(871,181)	(951,208)	(1,045,961)	(1,061,758)
Net earned	$ 4,751,884	$ 3,820,598	$ 4,146,593	$ 4,642,875	$ 4,592,168	$ 4,314,489	$ 4,318,499	$ 4,384,486	$ 4,228,382	$ 4,180,567
(2) Unallocated expenses	$ 999,310	$ 1,108,510	$ 1,087,375	$ 1,166,837	$ 1,183,238	$ 1,227,032	$ 1,323,540	$ 1,289,807	$ 1,312,892	$ 1,846,899
(3) Estimated claims and expenses, end of policy year:										
Incurred	$ 1,072,365	$ 2,279,495	$ 951,741	$ 1,310,033	$ 356,056	$ 3,818,021	$ 1,536,063	$ 1,904,916	$ 1,911,386	$ 1,649,394
Ceded	-	-	-	-	-	(1,041,090)	-	-	(372,718)	-
Net incurred	$ 1,072,365	$ 2,279,495	$ 951,741	$ 1,310,033	$ 356,056	$ 2,776,931	$ 1,536,063	$ 1,904,916	$ 1,538,668	$ 1,649,394
(4) Net paid (cumulative) as of:										
End of policy year	$ 66,191	$ 272,152	$ 71,300	$ 5,997	$ 23,096	$ 213,464	$ 5,921	$ 11,501	$ 65,907	$ 66,323
One year later	$ 579,658	$ 329,843	$ 122,832	$ 13,717	$ 132,602	$ 355,886	$ 86,709	$ 178,545	$ 1,212,969	
Two years later	$ 966,845	$ 1,089,118	$ 149,152	$ 61,517	$ 573,981	$ 579,010	$ 200,074	$ 1,004,169		
Three years later	$ 1,521,494	$ 1,303,279	$ 160,065	$ 850,329	$ 747,139	$ 1,454,167	$ 1,197,635			
Four years later	$ 2,687,333	$ 1,303,279	$ 160,065	$ 1,570,486	$ 1,214,426	$ 1,454,167				
Five years later	$ 2,777,981	$ 1,303,279	$ 160,065	$ 1,570,486	$ 1,214,426					
Six years later	$ 2,791,313	$ 1,303,279	$ 160,065	$ 1,570486						
Seven years later	$ 2,935,198	$ 1,303,279	$ 160,065							
Eight years later	$ 3,003,184	$ 1,303,279								
Nine years later	$ 3,154,927									
(5) Reestimated ceded claims and expenses	$ 992,833	$ -	$ -	$ 400,242	$ -	$ 774,909	$ -	$ 3,098,016	$ 2,029,077	$ -
(6) Reestimated net incurred claims and expenses:										
End of policy year	$ 1,072,365	$ 2,279,495	$ 951,741	$ 1,310,033	$ 356,056	$ 2,776,931	$ 1,536,063	$ 1,904,916	$ 1,538,668	$ 1,649,394
One year later	$ 1,982,739	$ 1,639,178	$ 181,022	$ 333,586	$ 963,045	$ 1,403,652	$ 1,399,188	$ 1,613,809	$ 3,581,654	
Two years later	$ 2,285,807	$ 1,401,310	$ 176,022	$ 450,979	$ 784,623	$ 1,791,773	$ 1,349,810	$ 2,593,149		
Three years later	$ 2,615,832	$ 1,303,279	$ 160,065	$ 1,549,672	$ 802,424	$ 1,504,609	$ 1,783,676			
Four years later	$ 2,829,732	$ 1,303,279	$ 160,065	$ 1,570,486	$ 1,214,426	$ 1,454,167				
Five years later	$ 3,037,196	$ 1,303,279	$ 160,065	$ 1,570,486	$ 1,214,426					
Six years later	$ 2,942,757	$ 1,303,279	$ 160,065	$ 1,570,486						
Seven years later	$ 3,293,659	$ 1,303,279	$ 160,065							
Eight years later	$ 3,297,279	$ 1,303,279								
Nine years later	$ 3,397,279									
(7) (Decrease) increase in estimated net incurred claims and expenses from end of policy year	$ 2,324,914	$ (976,216)	$ (791,676)	$ 260453	$ 858,370	$ (1,322,764)	$ 247,613	$ 688,233	$ 2,042,986	$ -

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM

June 30, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
(1) Deposit premiums	$ 1,545,096	$ 1,229,891	$ 1,729,139	$ 1,792,230	$ 1,824,224	$ 1,879,683	$ 1,961,677	$ 2,220,440	$ 2,761,490	$ 2,945,142
Investment revenues	81,620	48,208	35,579	38,101	34,370	22,116	34,904	25,340	24,461	(4,649)
Assessments (return of contributions):										
PERMA	-	-	-	-	(3,625)	-	-	-	-	-
Other agencies	-	-	-	80,091	77,052	20,701	-	-	-	-
Excess insurance	(786,219)	(738,162)	(711,656)	(787,394)	(793,953)	(775,459)	(775,540)	(895,343)	(1,047,179)	(1,111,163)
Net earned	$ 840,497	$ 539,937	$ 1,053,062	$ 1,123,028	$ 1,138,068	$ 1,147,041	$ 1,221,038	$ 1,350,437	$ 1,738,772	$ 1,829,330
(2) Unallocated expenses	$ 157,837	$ 137,627	$ 490,025	$ 560,275	$ 518,411	$ 620,877	$ 646,141	$ 700,967	$ 676,286	$ 696,536
(3) Estimated claims and expenses, end of policy year:										
Incurred	$ 67,969	$ 228,750	$ 211,111	$ 249,769	$ 8,906	$ 372,275	$ 313,163	$ 1,306,833	$ 2,446,395	$ 291,482
Ceded	-	-	-	-	-	-	-	(812,254)	(1,796,433)	-
Net incurred	$ 67,969	$ 228,750	$ 211,111	$ 249,769	$ 8,906	$ 372,275	$ 313,163	$ 494,579	$ 649,962	$ 291,482
(4) Net paid (cumulative) as of:										
End of policy year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 57,361	$ 250,000	$ -
One year later	$ -	$ 55,702	$ -	$ -	$ -	$ -	$ -	$ 116,790	$ 403,039	
Two years later	$ -	$ 55,702	$ 28,285	$ -	$ 2,929	$ 15,942	$ 20,311	$ 273,197		
Three years later	$ 182,288	$ 120,160	$ 436,544	$ 34,245	$ 105,161	$ 153,602	$ 155,049			
Four years later	$ 255,365	$ 159,739	$ 499,999	$ 56,167	$ 126,295	$ 232,242				
Five years later	$ 442,166	$ 179,890	$ 499,999	$ 158,822	$ 176,272					
Six years later	$ 527,804	$ 201,439	$ 515,751	$ 321,336						
Seven years later	$ 532,430	$ 215,744	$ 540,950							
Eight years later	$ 539,428	$ 217,216								
Nine years later	$ 583,129									
(5) Reestimated ceded claims and expenses	$ 666,607	$ 41,780	$ 804,334	$ 763,941	$ 317,652	$ 430,477	$ -	$ 1,577,258	$ 1,374,687	$ -
(6) Reestimated net incurred claims and expenses:										
End of policy year	$ 67,969	$ 228,750	$ 211,111	$ 249,769	$ 8,906	$ 372,275	$ 313,163	$ 494,579	$ 649,962	$ 291,482
One year later	$ 183,065	$ 133,882	$ 651,437	$ 234,250	$ 223,141	$ 441,045	$ 156,754	$ 622,187	$ 779,090	
Two years later	$ 519,577	$ 97,247	$ 553,202	$ 767,864	$ 121,737	$ 420,876	$ 416,276	$ 641,993		
Three years later	$ 682,620	$ 457,338	$ 598,660	$ 589,282	$ 237,437	$ 318,735	$ 584,048			
Four years later	$ 634,507	$ 239,030	$ 601,375	$ 446,908	$ 285,446	$ 406,687				
Five years later	$ 674,848	$ 400,615	$ 727,674	$ 606,997	$ 433,805					
Six years later	$ 627,067	$ 366,927	$ 682,848	$ 633,259						
Seven years later	$ 640,696	$ 361,726	$ 711,927							
Eight years later	$ 870,998	$ 375,265								
Nine years later	$ 922,802									
(7) (Decrease) increase in estimated net incurred claims and expenses from end of policy year	$ 854,833	$ 146,515	$ 500,816	$ 383,490	$ 424,899	$ 34,412	$ 270,885	$ 147,414	$ 129,128	$ -

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SUPPLEMENTARY INFORMATION

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

COMBINING SCHEDULE OF NET POSITION

June 30, 2017

	Liability	Workers' Compen-sation	Crime & Cyber Coverage	EPL	Property	Adminis-tration	Totals 2017	Totals 2016
ASSETS								
Current assets:								
Cash and cash equivalents	$ 869,861	$ 947,082	$ -	$ -	$ -	$ -	$ 1,816,943	$ 2,658,168
Accounts receivable	1,070,705	24,826	-	-	-	-	1,095,531	365,298
Member receivable	40,985	320,398	-	-	-	-	361,383	297,401
Interest receivable	89,774	97,713	-	-	-	-	187,487	163,742
Prepaid expenses	17,350	-	-	-	-	31,925	49,275	43,835
Deposit with others	-	-	-	-	-	849	849	21,342
Due from (to) other funds	156,116	8,216	-	-	-	(164,332)	-	-
Investments, maturing within one year	2,568,822	2,796,867	-	-	-	-	5,365,689	2,902,262
Total current assets	4,813,613	4,195,102	-	-	-	(131,558)	8,877,157	6,452,048
Non-current assets:								
Investments with maturities in excess of one year	15,393,378	16,759,913	-	-	-	-	32,153,291	34,740,877
Capital assets, net of accumulated depreciation	-	-	-	-	-	766,320	766,320	793,580
Total non-current assets	15,393,378	16,759,913	-	-	-	766,320	32,919,611	35,534,457
Total assets	20,206,991	20,955,015	-	-	-	634,762	41,796,768	41,986,505
DEFERRED OUTFLOWS OF RESOURCES								
Related to pensions	-	-	-	-	-	328,697	328,697	821,440
LIABILITIES								
Current liabilities:								
Accounts payable	4,290	184,216	-	-	-	32,098	220,604	90,519
Pre-litigation defense	4,446	-	-	-	-	-	4,446	4,446
Compensated absences	-	-	-	-	-	61,143	61,143	55,284
Member deposits	81,831	15,199,643	-	-	-	-	15,281,474	13,952,381
Current portion of unpaid claims and claim adjustment expenses	3,030,000	710,000	-	-	-	-	3,740,000	2,010,000
Total current liabilities	3,120,567	16,093,859	-	-	-	93,241	19,307,667	16,112,630
Non-current liabilities:								
Other post employment benefits	-	-	-	-	-	75,772	75,772	61,322
Net pension liability	-	-	-	-	-	271,700	271,700	705,315
Unpaid claims and claim adjustment expenses	3,657,585	3,008,560	-	-	-	-	6,666,145	6,514,640
Total non-current liabilities	3,657,585	3,008,560	-	-	-	347,472	7,013,617	7,281,277
Total liabilities	6,778,152	19,102,419	-	-	-	440,713	26,321,284	23,393,907

(Continued)

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

COMBINING SCHEDULE OF NET POSITION
(Continued)
June 30, 2017

	Liability	Workers' Compen-sation	Crime & Cyber Liab. Coverage	EPL	Property	Adminis-tration	Totals 2017	Totals 2016
DEFERRED INFLOWS OF RESOURCES								
Related to pensions	-	-	-	-	-	522,746	522,746	74,022
NET POSITION								
Net position:								
Invested in capital assets	-	-	-	-	-	766,320	766,320	793,580
Unrestricted	13,428,839	1,852,596	-	-	-	(766,320)	14,515,115	18,546,436
Total net position	$ 13,428,839	$ 1,852,596	$ -	$ -	$ -	$ -	$ 15,281,435	$ 19,340,016

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2017

	Liability	Workers' Compen-sation	Cyber & Crime Coverage	EPL	Property	Adminis-tration	Totals 2017	Totals 2016
Operating revenues:								
Deposit premiums	$ 5,246,863	$ 2,945,142	$ -	$ -	$ -	$ -	$ 8,192,005	$ 7,937,283
Excess insurer returns/premium adjustments	413,330	-	-	-	-	-	413,330	402,376
Other income	-	-	-	-	-	79,895	79,895	6,169
Total operating revenues	5,660,193	2,945,142	-	-	-	79,895	8,685,230	8,345,828
Operating expenses:								
Provision for claims and claim adjustment expenses	5,205,388	963,772	-	-	-	-	6,169,160	2,876,511
Excess insurance	1,061,758	1,111,163	-	-	-	2,744	2,175,665	2,095,621
Salaries and benefits	-	-	-	-	-	1,232,952	1,232,952	690,415
Professional services	8,750	494,424	-	-	-	402,132	905,306	897,642
Maintenance and operations	24,884	135,760	-	-	-	146,861	307,505	340,148
Member returns/premium adjustments	1,885,011	-	-	-	-	-	1,885,011	1,324,735
Interfund charges (fees)	1,623,417	81,377	-	-	-	(1,704,794)	-	-
Total operating expenses	9,809,208	2,786,496	-	-	-	79,895	12,675,599	8,225,072
Operating income (loss)	(4,149,015)	158,646	-	-	-	-	(3,990,369)	120,756
Non-operating income:								
Investment earnings	378,810	87,387	-	-	-	-	466,197	435,041
Net increase (decrease) in fair value of investments	(422,106)	(112,303)	-	-	-	-	(534,409)	505,041
Total non-operating income (loss)	(43,296)	(24,916)	-	-	-	-	(68,212)	940,082
Change in net position	(4,192,311)	133,730	-	-	-	-	(4,058,581)	1,060,838
Net position at beginning of year	17,621,150	1,718,866	-	-	-	-	19,340,016	18,279,178
Net position at end of year	$ 13,428,839	$ 1,852,596	$ -	$ -	$ -	$ -	$ 15,281,435	$ 19,340,016

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

COMBINING SCHEDULE OF CASH FLOWS

For the Year Ended June 30, 2017

	Liability	Workers' Compen-sation	Crime & Cyber Liab. Coverage	EPL	Property	Adminis-tration	Totals 2017	Totals 2016
Cash flows from operating activities:								
Cash received from members for deposits/ premiums	$ 3,349,615	$ 4,631,773	$ -	$ (303,180)	$ -	$ 6,105	$ 7,684,313	$ 7,228,463
Other income received	-	-	-	-	-	79,895	79,895	6,169
Cash payments to suppliers for goods and Services	(1,705,893)	(1,706,330)	-	303,180	-	(518,529)	(3,627,572)	(2,476,127)
Cash payments for claims	(3,188,313)	(1,099,342)	-	-	-	-	(4,287,655)	(2,451,917)
Cash payments for employee services	-	-	-	-	-	(722,408)	(722,408)	(1,360,611)
Cash payments (received) for interfund charges	(1,623,417)	(81,377)	-	-	-	1,704,794	-	-
Net cash provided (used) by operating activities	(3,168,008)	1,744,724	-	-	-	549,857	(873,427)	945,977
Cash flows from noncapital financing activities:								
Cash paid to (received from) other funds	522,363	27,494	-	-	-	(549,857)	-	-
Net cash provided (used) by noncapital financing activities	522,363	27,494	-	-	-	(549,857)	-	-
Cash flows from investing activities:								
Interest received	339,750	369,910	-	-	-	-	709,660	145,202
Proceeds from sale and maturities of investment securities	8,382,029	9,126,137	-	-	-	-	17,508,166	12,840,467
Purchase of investment securities	(6,625,901)	(11,559,723)	-	-	-	-	(18,185,624)	(16,390,574)
Net cash provided (used) by investing activities	2,095,878	(2,063,676)	-	-	-	-	32,202	(3,404,905)
Net decrease in cash and cash equivalents	(549,767)	(291,458)	-	-	-	-	(841,225)	(2,458,928)
Cash and cash equivalents at beginning of year	1,419,628	1,238,540	-	-	-	-	2,658,168	5,117,096
Cash and cash equivalents at end of year	$ 869,861	$ 947,082	$ -	$ -	$ -	$ -	$ 1,816,943	$ 2,658,168

(Continued)

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

COMBINING SCHEDULE OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2017

	Liability	Workers' Compen-sation	Crime & Cyber Liab. Coverage	EPL	Property	Adminis-tration	Totals 2017	Totals 2016
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	$ (4,149,015)	$ 158,646	$ -	$ -	$ -	$ -	$ (3,990,369)	$ 120,756
Depreciation	-	-	-	-	-	27,260	27,260	50,614
Adjustment to net cash provided by operating activities:								
(Increase) decrease:								
Accounts receivable	(1,023,968)	(9,488)	-	303,180	-	43	(730,233)	555,251
Member receivables	(17,250)	(46,732)	-	-	-	-	(63,982)	(206,921)
Prepaid expenses	-	-	-	-	-	(5,440)	(5,440)	(2,759)
Deposit with others	-	-	-	-	-	20,493	20,493	(20,835)
Deferred outflows	-	-	-	-	-	492,743	492,743	(738,245)
Increase (decrease):								
Accounts payable	(11,149)	161,894	-	-	-	(20,660)	130,085	21,152
Property valuation	-	-	-	-	-	-	-	(8,484)
Compensated absences	-	-	-	-	-	5,859	5,859	2,915
Member deposits	16,299	1,615,974	-	(303,180)	-	-	1,329,093	687,556
Other payable	-	-	-	-	-	-	-	-
Other post employment benefits	-	-	-	-	-	14,450	14,450	11,137
Net pension liability	-	-	-	-	-	(433,615)	(433,615)	162,900
Unpaid claims and claim adjustment expenses	2,017,075	(135,570)	-	-	-	-	1,881,505	424,594
Deferred inflows	-	-	-	-	-	448,724	448,724	(113,654)
Net cash provided (used) by operating activities	$ (3,168,008)	$ 1,744,724	$ -	$ -	$ -	$ 549,857	$ (873,427)	$ 945,977
Non-cash capital, financing and investing activities:								
Unrealized gains on investments	$ (422,106)	$ (112,303)	$ -	$ -	$ -	$ -	$ (534,409)	$ 505,041

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

MEMBER DEPOSITS/MEMBER RECEIVABLES

For the Year Ended June 30, 2017

The member deposits and member receivables represent funds held by PERMA or funds due to PERMA on behalf of the member agencies for payment of member claims and other expenses that do not involve a transfer of risk. The following schedules reflect the 2016/2017 activity relative to member deposits and member receivables for each program.

General Liability Program

	Beginning Balance 7/1/16	Member Reim-bursements	Investment Income	Claims Paid	Member Returns	Ending Balance 6/30/17
Adelanto	$ 20,490	$ -	$ 155	$ -	$ -	$ 20,645
Banning	-	18,773	-	(18,773)	-	-
Barstow	14,565	300,000	(109)	(287,201)	-	27,255
Blythe	-	14,213	-	(17,060)	-	(2,847)
Desert Hot Springs	-	4,096	-	(4,096)	-	-
Hesperia	-	116,229	-	(116,229)	-	-
La Mesa	30,477	70,000	29	(134,693)	-	(34,187)
Moreno Valley	-	29,169	-	(29,169)	-	-
Murrieta	(11,618)	402,832	(342)	(394,823)	-	(3,951)
Rancho Mirage	(7,689)	70,000	122	(43,639)	-	18,794
Stanton	(4,428)	57,000	25	(37,460)	-	15,137
SunLine Transit	-	99,785	-	(99,785)	-	-
Victorville	-	17,836	-	-	(17,836)	-
Total	$ 41,797	$ 1,199,933	$ (120)	$ (1,182,928)	$ (17,836)	$ 40,846

Workers' Compensation Program

	Beginning Balance 7/1/16	Deposit Premium	Investment Income	Subro./ Excess Reimb.	LAWCX Assessment	TPA Claims Admin.	Claims Paid	Member Returns	General and Admin.	Fair Market Value Adustment	Ending Balance 6/30/17
Adelanto	$ 379,663	$ 91,935	$ 6,786	$ 187	$ -	$ -	$ (19,260)	$ -	$ -	$ (7,639)	$ 451,672
Banning	2,009,701	499,823	34,835	18,812	-	-	(415,902)	-	-	(39,516)	2,107,753
Barstow	667,039	549,163	11,572	84,462	-	-	(600,291)	-	-	(13,046)	698,899
Blythe	26,383	223,230	212	242,574	-	-	(473,863)	-	-	(487)	18,049
Cathedral City	1,629,911	837,721	31,739	99,502	-	-	(480,144)	-	-	(33,269)	2,085,460
Coachella	957,321	200,119	16,310	1,853	-	-	(126,729)	-	-	(18,909)	1,029,965
Desert Hot Springs	(270,898)	219,081	(4,800)	155,660	-	-	(419,441)	-	-	-	(320,398)
Hesperia	1,257,832	400,750	22,583	22,518	-	(11,583)	(257,996)	-	-	(25,025)	1,409,079
Holtville	603,040	42,595	10,215	36,116	-	-	(38,182)	-	-	(11,888)	641,896
Moreno Valley	-	-	-	177,206	-	-	-	(177,206)	-	-	-
Murrieta	1,878,579	1,189,194	31,908	223,116	-	-	(1,376,905)	-	-	(37,054)	1,908,838
Norco	(2,768)	135,000	135	-	-	-	(111,489)	-	-	(69)	20,809
Palm Desert	5,696	-	94	3,330	-	-	(2,723)	-	-	(113)	6,284
Perris	417,992	148,176	8,123	-	-	-	(2,149)	-	-	(8,624)	563,518
Rancho Mirage	671,961	183,632	10,092	873	-	-	(82,533)	(134,722)	-	(12,990)	636,313
San Jacinto	763,846	65,387	12,834	182	-	-	(66,554)	-	-	(14,888)	760,807
Stanton	268,308	47,110	4,854	-	-	-	(300)	-	-	(5,384)	314,588
SunLine Transit	499,240	844,648	7,816	88,125	-	-	(847,647)	-	-	(10,006)	582,176
Victorville	1,547,157	618,459	29,911	75,167	-	-	(293,425)	-	-	(31,470)	1,945,799
Westmorland	-	18,351	188	-	-	-	(743)	-	-	(58)	17,738
Total	$13,310,003	$ 6,314,374	$ 235,407	$ 1,229,683	$ -	$ (11,583)	$ (5,616,276)	$ (311,928)	$ -	$ (270,435)	$14,879,245

(Continued)

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

MEMBER DEPOSITS/MEMBER RECEIVABLES
(Continued)
For the Year Ended June 30, 2017

Crime Coverage Program

	Beginning Balance 7/1/16	Premium Deposits	Investment Income	Insurance Premiums	General and Administrative Charges	Ending Balance 6/30/17
Adelanto	$ -	$ 2,958	$ -	$ (2,958)	$ -	$ -
Banning	-	2,457	-	(2,457)	-	-
Barstow	-	2,407	-	(2,407)	-	-
Blythe	-	1,183	-	(1,183)	-	-
Canyon Lake	-	557	-	(557)	-	-
Coachella	-	2,874	-	(2,874)	-	-
Desert Hot Springs	-	3,134	-	(3,134)	-	-
Eastvale	-	611	-	(611)	-	-
Hesperia	-	2,242	-	(2,242)	-	-
Holtville	-	671	-	(671)	-	-
Jurupa Valley	-	1,641	-	(1,641)	-	-
La Mesa	-	3,585	-	(3,585)	-	-
March JPA	-	722	-	(722)	-	-
Moreno Valley	-	3,868	-	(3,868)	-	-
Mt. San Jacinto WPA	-	1,160	-	(1,160)	-	-
Murrieta	-	12,109	-	(12,109)	-	-
Perris	-	2,872	-	(2,872)	-	-
Rancho Mirage	-	4,180	-	(4,180)	-	-
RTC	-	586	-	(586)	-	-
San Jacinto	-	891	-	(891)	-	-
Stanton	-	2,040	-	(2,040)	-	-
SunLine	-	2,754	-	(2,754)	-	-
VVTA	-	628	-	(628)	-	-
Westmorland	-	616	-	(616)	-	-
Total	$ -	$ 56,746	$ -	$ (56,746)	$ -	$ -

Cyber Liability Program

	Beginning Balance 7/1/16	Premium Deposits	Investment Income	Insurance Premiums	General and Administrative Charges	Ending Balance 6/30/17
Adelanto	$ -	$ 543	$ -	$ (543)	$ -	$ -
Banning	-	1,268	-	(1,268)	-	-
Barstow	-	1,086	-	(1,086)	-	-
Blythe	-	1,086	-	(1,086)	-	-
Canyon Lake	-	543	-	(543)	-	-
Coachella	-	543	-	(543)	-	-
Desert Hot Springs	-	543	-	(543)	-	-
Eastvale	-	543	-	(543)	-	-
Hesperia	-	1,368	-	(1,368)	-	-
Holtville	-	543	-	(543)	-	-
ICTC	-	543	-	(543)	-	-
IVECA	-	543	-	(543)	-	-
Jurupa Valley	-	543	-	(543)	-	-
La Mesa	-	1,086	-	(1,086)	-	-
March JPA	-	1,086	-	(1,086)	-	-
MD&MIWMA	-	543	-	(543)	-	-
Moreno Valley	-	1,462	-	(1,462)	-	-
Mt. San Jacinto WPA	-	543	-	(543)	-	-
Murrieta	-	598	-	(598)	-	-
Norco	-	543	-	(543)	-	-
Perris	-	543	-	(543)	-	-
PVVTA	-	543	-	(543)	-	-
Rancho Mirage	-	1,086	-	(1,086)	-	-
RTC	-	543	-	(543)	-	-
San Jacinto	-	543	-	(543)	-	-
Stanton	-	543	-	(543)	-	-
SunLine	-	543	-	(543)	-	-
VVEDA	-	543	-	(543)	-	-
VVTA	-	543	-	(543)	-	-
Westmorland	-	543	-	(543)	-	-
Total	$ -	$ 21,529	$ -	$ (21,529)	$ -	$ -

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PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

MEMBER DEPOSITS/MEMBER RECEIVABLES
(Continued)
For the Year Ended June 30, 2017

Employment Practices Liability (EPL) Program

	Beginning Balance 7/1/16	Premium Deposits	Investment Income	ERMA Return	Insurance Premiums	Member Returns	General and Administrative Charges	Ending Balance 6/30/17
Adelanto	$ 4,267	$ 8,912	$ -	$ -	$ (8,912)	$ (4,267)	$ -	$ -
Banning	29,509	108,337	-	-	(108,337)	(29,509)	-	-
Barstow	26,029	52,774	-	-	(52,774)	(26,029)	-	-
Canyon Lake	-	1,586	-	-	(1,586)	-	-	-
Cathedral City	51,287	75,785	-	-	(75,785)	(51,287)	-	-
Coachella	9,401	23,299	-	-	(23,299)	(9,401)	-	-
Desert Hot Springs	23,273	23,683	-	-	(23,683)	(23,273)	-	-
Eastvale	-	3,082	-	-	(3,082)	-	-	-
Hesperia	14,726	42,965	-	-	(42,965)	(14,726)	-	-
Holtville	3,048	4,738	-	-	(4,738)	(3,048)	-	-
ICTC	-	1,913	-	-	(1,913)	-	-	-
Jurupa Valley	-	5,934	-	-	(5,934)	-	-	-
La Mesa	33,871	85,381	-	-	(85,381)	(33,871)	-	-
Mt. San Jacinto WPA	5,976	18,269	-	-	(18,269)	(5,976)	-	-
Murrieta	29,170	61,864	-	-	(61,864)	(29,170)	-	-
Perris	16,696	23,271	-	-	(23,271)	(16,696)	-	-
RTC	-	4,743	-	-	(4,743)	-	-	-
Stanton	6,352	10,552	-	-	(10,552)	(6,352)	-	-
SunLine	-	55,584	-	-	(55,584)	-	-	-
Tulelake	584	-	-	-	-	(584)	-	-
VVTA	-	3,531	-	-	(3,531)	-	-	-
Victorville	48,991	89,400	-	-	(89,400)	(48,991)	-	-
Total	$ 303,180	$ 705,603	$ -	$ -	$ (705,603)	$ (303,180)	$ -	$ -

Property Program

	Beginning Balance 7/1/16	Premium Deposits	Investment Income	Valuation Services	Insurance Premiums	General and Administrative Charges	Ending Balance 6/30/17
Adelanto	$ -	$ 42,766	$ -	$ -	$ (42,766)	$ -	$ -
Banning	-	148,555	-	-	(148,555)	-	-
Barstow	-	76,864	-	-	(76,864)	-	-
Blythe	-	44,710	-	-	(44,710)	-	-
Canyon Lake	-	2,557	-	-	(2,557)	-	-
Coachella	-	43,491	-	-	(43,491)	-	-
Desert Hot Springs	-	23,818	-	-	(23,818)	-	-
Eastvale	-	2,486	-	-	(2,486)	-	-
Hesperia	-	90,468	-	-	(90,468)	-	-
Holtville	-	15,324	-	-	(15,324)	-	-
ICTC	-	41,826	-	-	(41,826)	-	-
IVECA	-	1,279	-	-	(1,279)	-	-
Jurupa Valley	-	4,246	-	-	(4,246)	-	-
La Mesa	-	73,170	-	-	(73,170)	-	-
March JPA	-	32,005	-	-	(32,005)	-	-
Moreno Valley	-	96,678	-	-	(96,678)	-	-
Mt. San Jacinto WPA	-	37,530	-	-	(37,530)	-	-
Murrieta	-	37,539	-	-	(37,539)	-	-
Norco	-	31,673	-	-	(31,673)	-	-
PVVTA	-	8,267	-	-	(8,267)	-	-
Perris	-	36,680	-	-	(36,680)	-	-
Rancho Mirage	-	68,907	-	-	(68,907)	-	-
San Jacinto	-	34,614	-	-	(34,614)	-	-
Stanton	-	22,080	-	-	(22,080)	-	-
SunLine Transit	-	140,932	-	-	(140,932)	-	-
VVTA	-	17,241	-	-	(17,241)	-	-
Westmorland	-	12,071	-	-	(12,071)	-	-
Total	$ -	$ 1,187,777	$ -	$ -	$ (1,187,777)	$ -	$ -

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

Estimated Outstanding Losses Within Member Retention
Liability Program

For the Year Ended June 30, 2017

The following schedule reflects the reported and Incurred But Not Reported (IBNR) case reserves as of June 30, 2017, as estimated by PERMA's claims manager and actuary consultant. The amount of the estimated outstanding losses reported below are limited to the member's respective self-insured retention level, to the cases which are provided coverage under PERMA's Memorandum of Liability Coverage, and to the years the member has participated in the program. The amounts below do not involve a transfer of risk, therefore, the total estimated losses should be reported as liabilities in the member's financial statements. Discounted losses are based on present-value calculations which assume a 2% interest rate.

	Undiscounted			Discounted
Member	Reserves Within Retention	IBNR Reserves	Total Member Liability	Total Member Liability
Banning	$ 37,804	$ 4,222	$ 42,026	$ 40,852
Barstow	232,659	201,507	434,166	419,174
Blythe	43,389	-	43,389	42,146
Cathedral City	174,369	97,822	272,191	264,549
Hesperia	253,321	2,723	256,044	248,623
La Mesa	62,133	51,074	113,207	109,178
Moreno Valley	521,861	277,356	799,217	773,805
Murrieta	365,152	118,916	484,068	468,329
Norco	145,527	116,426	261,953	252,718
San Jacinto	48,783	-	48,783	46,832
Stanton	12,638	-	12,638	12,271
SunLine Transit	246,470	153,998	400,468	388,523
Victorville	106,519	63,087	169,606	162,886
Total	$ 2,250,625	$ 1,087,131	$ 3,337,756	$ 3,229,886

In addition to the estimated outstanding losses, there is also a need to recognize estimated unallocated loss adjustment expenses (ULAE). ULAE are the costs to administer open claims. Estimated outstanding ULAE are typically 5% to 10% of estimated outstanding losses.

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

Estimated Outstanding Losses Within Member Retention
Workers' Compensation Program

For the Year Ended June 30, 2017

The following schedule reflects the reported and Incurred But Not Reported (IBNR) case reserves as of June 30, 2017, as estimated by the member's claims administrator and PERMA's actuary consultant. The amount of the estimated outstanding losses reported below are limited to the member's respective self-insured retention level and to the years the member has participated in the program. The amounts below do not involve a transfer of risk, therefore, the total estimated losses should be reported as liabilities in the member's financial statements. Discounted losses are based on present-value calculations which assume a 2% interest rate.

	Undiscounted			Discounted
Member	Reserves Within Retention	IBNR Reserves	Total Member Liability	Total Member Liability
Adelanto	$ 136,590	$ 85,264	$ 221,854	$ 206,731
Banning	951,479	580,737	1,532,216	1,427,856
Barstow	1,231,592	1,103,269	2,334,861	2,171,065
Blythe	676,458	224,276	900,734	837,583
Cathedral City	1,785,586	1,298,996	3,084,582	2,872,468
Coachella	330,886	315,886	646,772	603,670
Desert Hot Springs	292,970	125,211	418,181	389,300
Hesperia	256,755	405,401	662,156	617,193
La Mesa	1,674,678	1,330,773	3,005,451	2,798,370
Murrieta	2,894,622	2,180,521	5,075,143	4,731,301
Norco	471,347	260,172	731,519	676,734
Perris	13,810	917	14,727	13,416
Rancho Mirage	178,506	143,836	322,342	298,422
San Jacinto	154,942	76,521	231,463	218,202
SunLine Transit	1,938,112	1,265,266	3,203,378	2,982,390
Victorville	738,721	550,860	1,289,581	1,200,749
Westmorland	25,000	25,000	50,000	46,450
Total	$ 13,752,054	$ 9,972,906	$ 23,724,960	$ 22,091,900

In addition to the estimated outstanding losses, there is also a need to recognize estimated unallocated loss adjustment expenses (ULAE). ULAE are the costs to administer open claims. Estimated outstanding ULAE are typically 5% to 10% of estimated outstanding losses.

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the Public Entity Risk Management Authority's (PERMA) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about PERMA's overall financial health.

Financial Trends

These schedules and graphs contain trend information to help the reader understand how PERMA's financial performance and well-being have changed over time. They show over the years how revenues and expenses have developed, how the net position has increased, and the history of dividends.

Demographic and Economic Information

These schedules offer demographic and economic information indicators to help the reader understand the environment within which PERMA's financial activities take place. The number of General Liability and Workers' Compensation claims is an indicator of the Provision for Claims. Payrolls for General Liability and Workers' Compensation, together with claims experience are an indicator for premium revenues.

Schedules showing trends for property tax rates and revenues along with corresponding assessed valuations are not presented since PERMA does not levy such taxes.

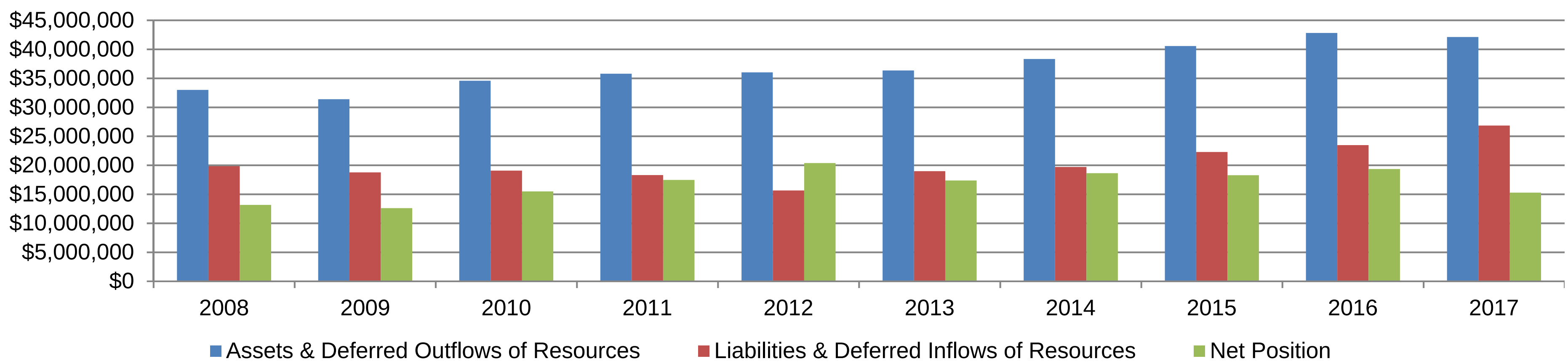
Schedules showing bonded debt and related legal debt ratios are also not applicable.

PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

SCHEDULE OF NET POSITION
Last Ten Fiscal Years

Fiscal Year Ended June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets										
Current assets	$ 7,489,080	$ 6,488,031	$ 6,488,031	$ 9,529,328	$ 7,961,276	$ 8,827,014	$ 9,761,560	$ 6,792,672	$ 6,452,048	$ 8,877,157
Noncurrent assets	25,508,691	24,897,413	24,897,413	26,244,933	28,063,438	27,527,739	28,571,181	33,683,124	35,534,457	32,919,611
Total assets	32,997,771	31,385,444	31,385,444	35,774,261	36,024,714	36,354,753	38,332,741	40,475,796	41,986,505	41,796,768
Deferred Outflows of Resources	-	-	-	-	-	-	-	83,195	821,440	328,697
Liabilities										
Current liabilities	16,433,071	14,578,011	14,578,011	13,907,227	12,883,741	14,679,486	15,038,504	15,679,491	16,112,630	19,307,667
Noncurrent liabilities	3,408,670	4,201,396	4,201,396	4,405,310	2,760,979	4,303,950	4,653,309	6,412,646	7,281,277	7,013,617
Total liabilities	19,841,741	18,779,407	18,779,407	18,312,537	15,644,720	18,983,436	19,691,813	22,092,137	23,393,907	26,321,284
Deferred Inflows of Resources	-	-	-	-	-	-	-	187,676	74,022	522,746
Net Position										
Invested in capital assets	35,693	21,660	21,660	226,343	996,724	945,594	894,787	844,194	793,580	766,320
Unrestricted	13,120,337	12,584,377	12,584,377	17,235,381	19,383,270	16,425,723	17,746,141	17,434,984	18,546,436	14,515,115
Total net position	$ 13,156,030	$ 12,606,037	$ 12,606,037	$ 17,461,724	$ 20,379,994	$ 17,371,317	$ 18,640,928	$ 18,279,178	$ 19,340,016	$ 15,281,435

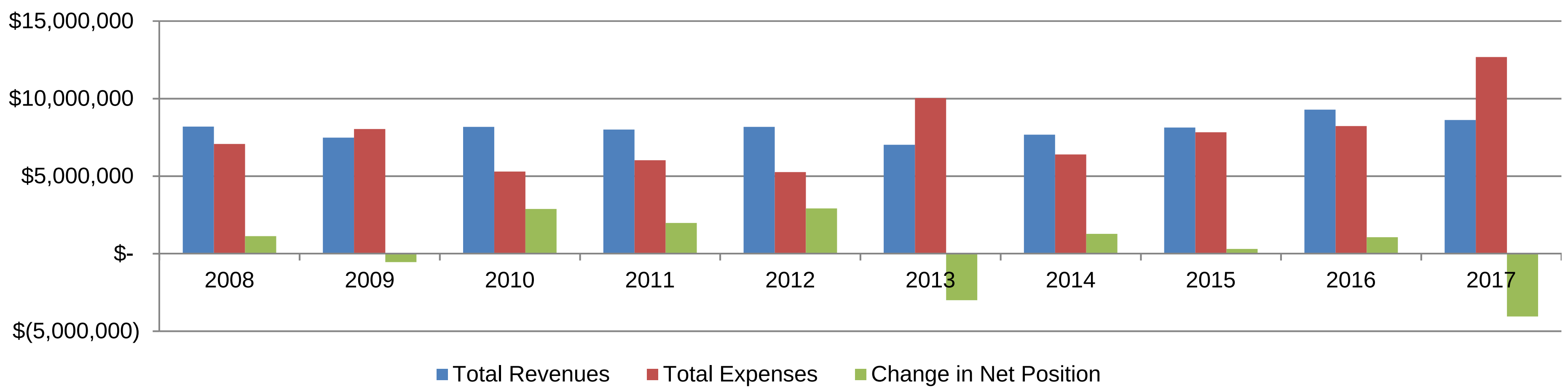


PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Last Ten Fiscal Years

Fiscal Year Ended June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues										
Deposit premiums	$ 6,995,539	$ 6,678,957	$ 7,397,501	$ 7,703,840	$ 7,549,608	$ 6,932,430	$ 6,970,879	$ 7,413,630	$ 7,937,283	$ 8,192,005
Excess insurer returns/ premium adjustments	-	-	-	-	194,221	290,249	274,559	324,337	402,376	413,330
Other income	4,593	4,813	1,880	2,286	2,740	1,258	715	158	6,169	79,895
Total operating revenues	7,000,132	6,683,770	7,399,381	7,706,126	7,746,569	7,223,937	7,223,937	7,738,125	8,345,828	8,685,230
Operating expenses										
Provision for claims and claim adjustment expenses	2,487,555	4,046,750	791,197	1,634,239	454,974	5,019,863	1,669,672	2,806,345	2,876,511	6,169,160
Excess insurance	2,339,235	1,521,250	1,684,135	1,562,830	1,661,062	1,628,258	1,648,730	1,848,881	2,095,621	2,175,665
Excess insurer assessments	-	-	-	-	-	-	-	-	-	-
Salaries and benefits	511,255	606,186	623,266	672,636	668,010	851,063	697,042	698,345	690,415	1,232,952
Professional services	290,588	350,731	677,182	687,640	707,850	751,777	802,608	852,830	897,642	905,306
Maintenance and operations	199,494	196,679	248,102	279,965	281,499	354,312	375,495	391,811	340,148	307,505
Member dividends/returns	1,241,970	1,310,172	1,272,592	1,183,026	1,481,841	1,422,230	1,203,492	1,228,461	1,324,735	1,885,011
Total operating expenses	7,070,097	8,031,768	5,296,474	6,020,336	5,255,236	10,027,503	6,397,039	7,826,673	8,225,072	12,675,599
Operating income (loss)	(69,965)	(1,347,998)	2,102,907	1,685,790	2,491,333	(2,803,566)	849,114	(88,548)	120,756	(3,990,369)
Non-operating income										
Net investment income	1,193,018	798,005	775,209	291,781	426,937	(205,111)	420,497	390,290	940,082	(68,212)
Change in net position	1,123,053	(549,993)	2,878,116	1,977,571	2,918,270	(3,008,677)	1,269,611	301,742	1,060,838	(4,058,581)
Net position at beginning of year	12,032,977	13,156,030	12,606,037	15,484,153	17,461,724	20,379,994	17,371,317	17,977,436	18,279,178	19,340,016
Net position at end of year	$ 13,156,030	$ 12,606,037	$ 15,484,153	$ 17,461,724	$ 20,379,994	$ 17,371,317	$ 18,640,928	$ 18,279,178	$ 19,340,016	$ 15,281,435

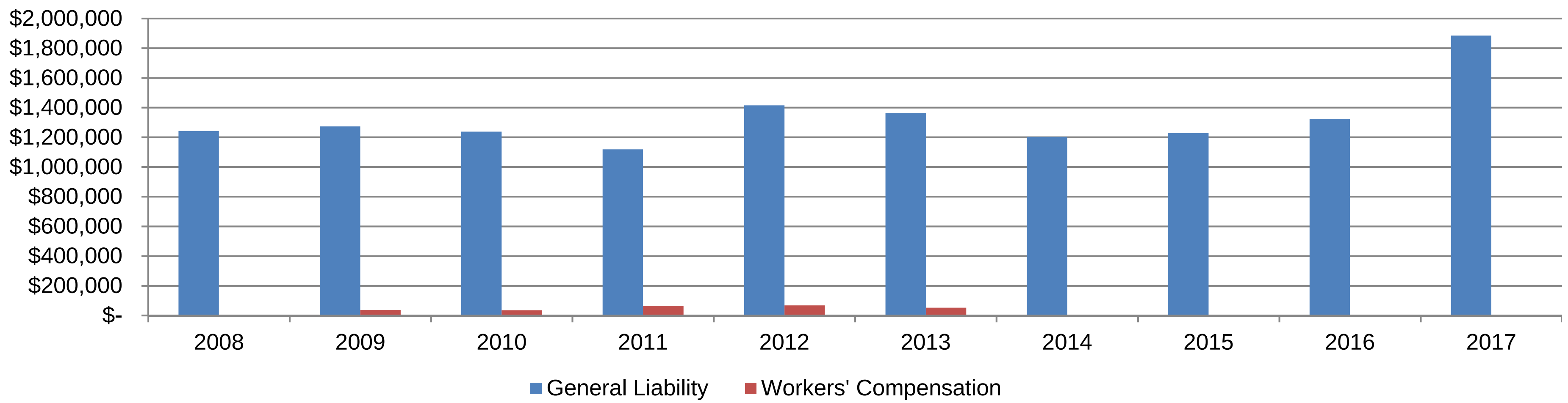


PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

HISTORY OF MEMBER DIVIDENDS/RETURNS BY PROGRAM
Last Ten Fiscal Years

Fiscal Year Ended June 30,

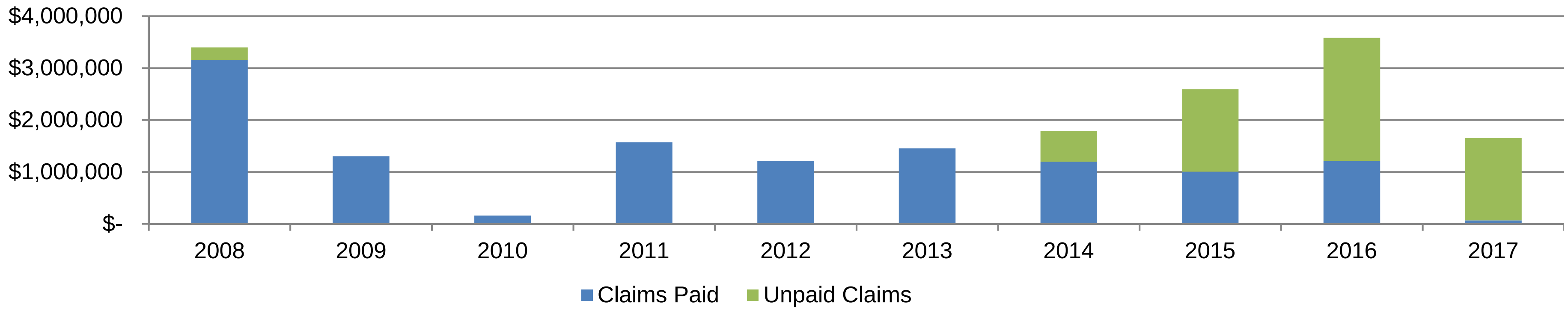
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Liability Program										
Pool dividends	$ 1,241,970	$ 1,273,190	$ 1,237,352	$ 1,118,144	$ 1,260,053	$ 1,357,536	$ 1,203,492	$ 1,228,461	$ 1,324,735	$ 1,885,011
Premium adjustments	-	-	-	-	154,520	6,023	-	-	-	-
Workers' Compensation Program										
Pool Dividends	-	36,982	35,240	64,882	63,643	52,400	-	-	-	-
Premium adjustments	-	-	-	-	3,625	-	-	-	-	-
Total	$ 1,241,970	$ 1,310,172	$ 1,272,592	$ 1,183,026	$ 1,481,841	$ 1,415,959	$ 1,203,492	$ 1,228,461	$ 1,324,735	$ 1,885,011



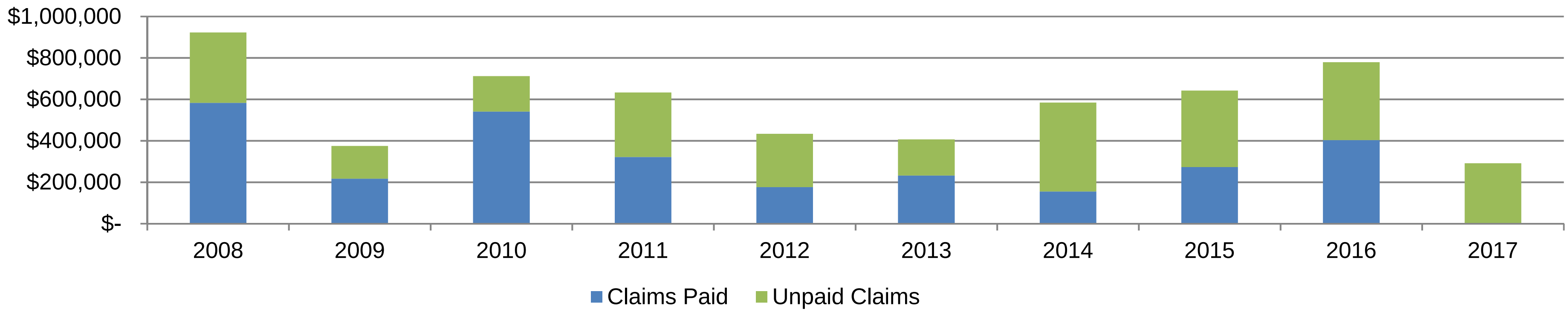
PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

DEMOGRAPHIC & ECONOMIC INFORMATION
GENERAL LIABILITY and WORKERS' COMPENSATION PROGRAMS
Losses by Program Year at Fiscal Year Ended June 30, 2017

General Liability	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Unpaid claims	$ 242,352	$ -	$ -	$ -	$ -	$ -	$ 586,041	$ 1,588,980	$ 2,368,685	$ 1,583,071
Paid claims	3,154,927	1,303,279	160,065	1,570,486	1,214,426	1,454,167	1,197,635	1,004,169	1,212,969	66,323
Total loss	$ 3,397,279	$ 1,303,279	$ 160,065	$ 1,570,486	$ 1,214,426	$ 1,454,167	$ 1,783,676	$ 2,593,149	$ 3,581,654	$ 1,649,394



Workers' Compensation	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Unpaid claims	$ 339,673	$ 158,049	$ 170,977	$ 311,923	$ 257,533	$ 174,445	$ 428,999	$ 368,796	$ 376,051	$ 291,482
Paid claims	583,129	217,216	540,950	321,336	176,272	232,242	155,049	273,197	403,039	-
Total loss	$ 922,802	$ 375,265	$ 711,927	$ 633,259	$ 433,805	$ 406,687	$ 584,048	$ 641,993	$ 779,090	$ 291,482

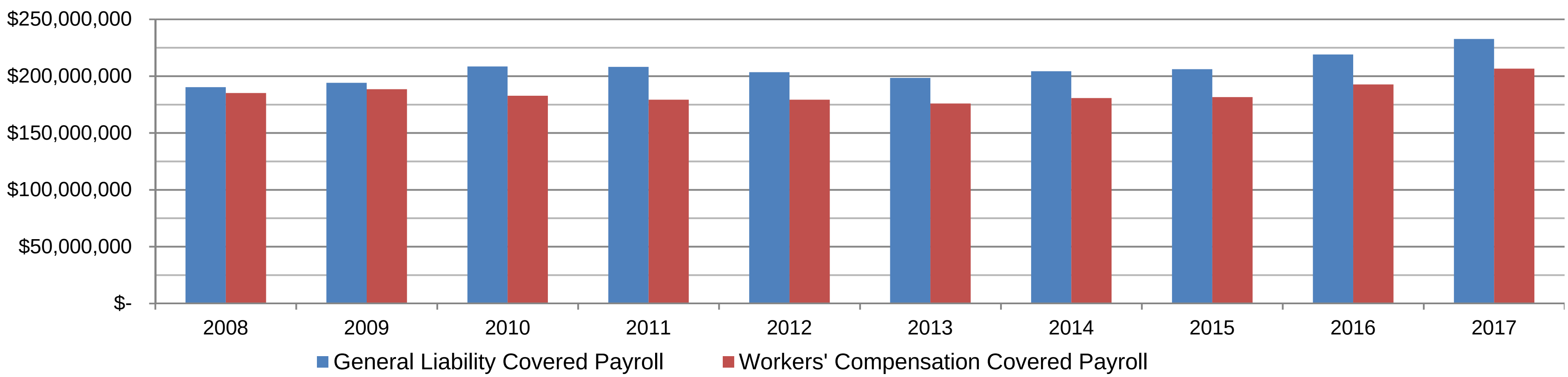


PUBLIC ENTITY RISK MANAGEMENT AUTHORITY

DEMOGRAPHIC & ECONOMIC INFORMATION
Last Ten Fiscal Years

Fiscal Year Ended June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Liability Program										
Number of Claims (Cumulative)	8,726	9,065	9,434	9,887	10,277	10,667	11,071	11,465	11,889	12,449
Closed Claims (Cumulative	8,429	8,788	9,121	9,531	9,935	10,391	10,814	11,156	11,557	12,011
Open Claims (at year end)	297	277	313	356	342	276	257	309	332	438
Claims Received (during FY)	395	339	369	453	390	390	404	394	424	560
Claims Closed (during FY)	343	359	333	410	404	456	423	342	401	454
Covered Payroll	$ 190,281,291	$ 194,099,742	$ 208,472,670	$ 208,143,445	$ 203,446,792	$ 198,377,919	$ 204,341,443	$ 206,040,051	$ 218,986,194	$ 232,684,027
Number of Participating Members	26	26	27	30	31	31	32	32	32	32
Workers' Compensation Program										
Number of Claims (Cumulative)	6,875	7,231	7,576	7,875	8,194	8,496	8,796	9,084	9,357	9,614
Closed Claims (Cumulative	6,504	6,842	7,180	7,443	7,744	8,003	8,330	8,604	8,855	9,140
Open Claims (at year end)	371	389	396	432	450	493	466	480	502	474
Claims Received (during FY)	348	356	345	299	319	302	300	288	273	257
Claims Closed (during FY)	393	338	338	263	301	259	327	274	251	285
Covered Payroll	$ 185,085,378	$ 188,527,619	$ 182,711,914	$ 179,248,090	$ 179,263,353	$ 175,920,842	$ 180,744,107	$ 181,517,499	$ 192,699,765	$ 206,553,088
Number of Participating Members	17	17	17	18	18	18	18	18	18	19
PERMA Employees	5	5	5	5	5	5	5	5	5	5



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