ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

(A Joint Powers Authority)

JUNE 30, 2017

EXECUTIVE COMMITTEE

REPRESENTATIVE	CATEGORY	OFFICE HELD
Ms. Corinne Kelsch	Joint Powers Authority	President
Ms. Angela Jones	K-8 Member District	Vice President
Mr. Kris Olafsson	Joint Powers Authority	Treasurer
Mr. Michael Johnston	K12, ADA of >15,000	Member
Ms. Mays Kakish	K12, ADA of >15,000	Member
Dr. Nancy C Nien	K12, ADA of >15,000	Member
Ms. Ann Sparks	K12, ADA of >15,000	Member
Mr. Fred Williams	Community College Districts	Member
Ms. Teresa Dreyfuss	Community College Districts	Member
Ms. Susan Hume	K-8 Member Districts	Member
Ms. Barbara Ott	K12, ADA of >15,000	Member
Mr. Irene Sumida	Charter Public Schools	Member
Mr. Luis Camarena	K12, ADA of >15,000	Alternate
Mr. Clark D. Hampton	K12, ADA of >15,000	Alternate
Mr. Phil Hillman	K-8 Member Districts	Alternate
Ms. Karen Kimmel	K12, ADA of >15,000	Alternate
Ms. Andrea Reynolds	K-8 Member Districts	Alternate
Dr. Joanne Schultz	Joint Powers Authority	Alternate
Mr. Jeff Starr	K12, ADA of >15,000	Alternate
Ms. Yumi Takahashi	K12, ADA of >15,000	Alternate
Mr. Tim Corcoran	Community College Districts	Alternate
Mr. Peter Hardash	Community College Districts	Alternate
Mr. Antoine Hawkins	K12, ADA of >15,000	Alternate
Mr. Kent Taylor	K-8 Member Districts	Alternate

ADMINISTRATION

Mr. Fritz J. Heirich	Chief Executive Officer

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

(A Joint Powers Authority)

JUNE 30, 2017

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and subsidiary (the Agency) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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; and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Alliance of Schools for Cooperative Insurance Programs, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, the claims development information on pages 48 through 52, and the reconciliation of claims liabilities by type of contract on page 53, schedule of other postemployment benefits funding progress on page 54, schedule of the Agency's proportionate share of net pension liability on page 55, the schedule of Agency contributions on page 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alliance of Schools for Cooperative Insurance Program's basic financial statements. The accompanying supplementary information such as the combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the Alliance of Schools for Cooperative Insurance Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alliance of Schools for Cooperative Insurance Program's 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 Alliance of Schools for Cooperative Insurance Program's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2017

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Fritz J. Heirich
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

Effective July 1, 2016, ASCIP implemented a program enhancement to its liability program called Student Accident, designed to provide limited benefits to Pre-K to twelve students injured at school supervised and sponsored activities, including interscholastic sports. Covered benefits include medical expenses, and additional benefits in the event of accidental death, dismemberment, or paralysis. Coverage is excess of collectible insurance from any source and is designed to supplement other parent or student medical insurance. CIPA provides reinsurance support for this new program on a 50% quota-share basis with the fronting carrier, QBE.

ASCIP's Executive Committee consists of thirteen members who represent the membership categories of Community College districts, K-12 districts, K-8 districts, Charter Schools, and partner JPA school districts. Committee members are elected and serve staggered terms of three-year duration. In addition, there are a minimum of thirteen alternates. The Executive Committee members are appointed by the elected Executive Committee. The Executive Committee is responsible for providing overall leadership to the JPA, and it develops long-range goals and supporting policies to guide the direction of the organization and its staff.

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

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

CONDENSED FINANCIAL INFORMATION
STATEMENT OF NET POSITION
JUNE 30, 2016 AND 2017

	2016	2017
ASSETS		
Current assets	$ 170,284,243	$ 163,643,109
Noncurrent assets	231,796,885	264,418,092
Capital assets, net	4,999,949	4,743,168
Total Assets	407,081,077	432,804,369
DEFERRED OUTFLOWS OF RESOURCES		
Current year pension contribution	1,224,143	1,683,588
LIABILITIES		
Current liabilities	88,269,382	102,979,826
Unpaid claims and claims adjustment expense, net of current portion	133,110,524	134,959,319
Net pension liability	1,252,869	1,643,087
Total Liabilities	222,632,775	239,582,232
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension	857,574	604,583
NET POSITION		
Invested in capital assets, net	4,999,949	4,743,168
Net position, designated	5,004,900	5,020,342
Net position, undesignated	174,810,022	184,352,102
Total Net Position	$ 184,814,871	$ 194,115,612

CONDENSED FINANCIAL INFORMATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2017

	2016	2017
Operating Revenue:		
Member contributions	$ 265,742,395	$ 268,744,570
Operating Expenses:		
Provision for claims and claim adjustment expense	134,605,332	143,197,063
Provision for unallocated loss adjustment expense	253,329	3,895,540
Commercial excess insurance premiums	21,874,914	25,944,010
Insurance premium	66,023,921	63,527,929
Contract services/administrative expenses	21,881,138	22,121,528
Premium dividend expense	2,276,835	3,407,830
Pension expense	(114,953)	89,464
Total Operating Expenses	246,800,516	262,183,364
Nonoperating Revenue:		
Interest and dividend income	4,641,666	5,898,989
Net increase (decrease) in fair value of investments	2,876,278	(3,832,467)
Other income	787,347	673,013
Total Nonoperating Revenue	8,305,291	2,739,535
Change in Net Position	27,247,170	9,300,741
Total Net Position, Beginning of Year, as Restated	157,567,701	184,814,871
Total Net Position, End of Year	$ 184,814,871	$ 194,115,612

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

ASCIP's total assets increased approximately $25,723,000 from $407,081,000 as of June 30, 2016 to $432,804,000 as of June 30, 2017. The increase in investments contributed to the majority of the increase in total assets. ASCIP invests those funds not immediately necessary for claims payments in long-term securities in order to optimize the rate of return. The total assets consist of $181,689,000 from the property & liability fund, $180,311,000 from the workers' compensation fund, $62,258,000 from the employee benefits fund, $8,087,000 from the OCIP fund, and $459,000 from the student accident fund. As of June 30, 2017, most programs experienced an increase in net position, except for the property & liability program. The property & liability's net position decreased by $2,991,000 primarily due to unfavorable claims experience and decrease in investment value as a result of the rise in short-term interest rates. The workers' compensation programs' net position increased by $1,297,000 mainly due to favorable claims experience despite a considerable decrease in investment value due to higher interest rates. The employee benefits program experienced an increase in net position of $10,573,000 primarily due to favorable claims experience in the self-funded medical and dental programs. The OCIP program experienced an increase in net position of $126,000 and the student accident program had a net income of $295,000.

Total liabilities increased by approximately $17,135,000, primarily due to the increase in provision for claims and claims adjustment expense in the workers' compensation and employee benefits programs. The outstanding claims liability in the property & liability program increased by approximately $434,000 from $106,560,000 as of June 30, 2016 to $106,994,000 as of June 30, 2017. The claims liability in the workers' compensation program increased by $10,445,000, from $63,558,000 as of June 30, 2016 to $74,004,000 as of June 30, 2017. The employee benefits program incurred a total outstanding claims liability of $6,222,000, an increase of $1,044,000 from the prior year. As of June 30, 2017, the outstanding claims liability for the OCIP program increased by $360,000 to $2,452,000. The student accident program had an outstanding claims liability of $164,000. The outstanding claims liabilities for all programs were recorded at undiscounted. Unallocated claims adjustment expense (ULAE) increased by $3,896,000 mostly due to the increase in ULAE in the workers' compensation program.

In fiscal year 2016-2017, ASCIP collected a total of $268,745,000 in premiums from all programs, an increase of $3,002,000 from the prior year. The total premium revenues in the property & liability program increased by $2,510,000 from the prior year to $57,009,000, mainly due to the increase in excess liability premiums and property premiums as a result of the increase in property total insured value. Total premium contributions in the workers' compensation program decreased by $848,000 primarily due to the decrease in rates. During fiscal year 2016-2017, ASCIP collected $669,000 more in health benefits premiums compared to the prior year. The increase dental plan enrollment contributed to most of the increase in health benefits premium contributions. In 2016-2017 fiscal year, the OCIP program enrolled four new construction projects and closed two projects. The program earned a total premium of $1,620,000 for the year. Since inception, the OCIP program has enrolled a total of 80 projects with a total premium of $32,678,000. The student accident program generated $794,000 in premium revenues.

ASCIP incurred total expenses of $262,183,000 in fiscal year 2016-2017, increased by $17,660,000. The increase in total expenses was predominantly due to the increase in claims expense in the property & liability and employee benefits programs and excess liability insurance premiums paid to Schools Excess Liability Fund (SELF). The first time funding of the student accident program also contributed to the increase in total expenses. In general, other operating expenses held constant from the 2015-2016 fiscal year to 2016-2017 fiscal year. The overall increase in net position for the year ended June 30, 2017 was $9,301,000 to an ending net position of approximately $194,116,000.

ANALYSIS OF BALANCES AND TRANSACTION OF INDIVIDUAL FUNDS

Property & Liability Program

The total assets in the property & liability fund decreased by $3,681,000 to $181,689,000 as of June 30, 2017. The decrease was mainly attributable to the decrease in cash, partially offsetting by the increase in investments. Total cash balance decreased from $31,420,000 as of June 30, 2016 to $14,956,000 at the end of fiscal year 2016-2017. During the fiscal year, the property & liability program transferred $10,000,000 from the funds in Los Angeles County pool to the investment portfolio. To maximize ASCIP's investment income and to ensure that ASCIP's investments are in compliance with the California Government Code, Section 53601 and ASCIP's investment policy, ASCIP utilizes Public Financial Management, Inc. as an investment advisor to manage ASCIP's investment portfolio. ASCIP's investments are bifurcated into two separate portfolios. One for the property & liability program and one for the workers' compensation program. As a result of the funds transfer, the property & liability investment portfolio balance rose to $156,973,000 as of June 30, 2017. The increase in the property & liability portfolio balance included $2,248,000 in interest income and $170,000 in realized gain that was reinvested in the portfolio and an unrealized loss in investment market value of $2,283,000.

The total liabilities in the property & liability fund decreased by $268,000 to $127,490,000 as of June 30, 2017, primarily due to the increase in outstanding claims liability. The pool's total claims liability increased from $106,560,000 as of June 30, 2016 to $106,994,000 as of June 30, 2017. This outstanding claims liability for unpaid losses was recorded undiscounted as actuarially determined. The small increase in outstanding claims liability was mainly due to the slight increase in IBNR reserves in the liability and property lines of coverage.

Net position in the property & liability fund decreased by $2,991,000 to an ending balance of $54,809,000 as of June 30, 2017.

Total premium revenues in the property& liability fund increased by $2,510,000 from the prior year to $57,009,000 primarily due to the increase in SELF excess liability premiums and an increase in property premium resulting from the increase in total insured value. In 2016-2017 ASCIP's property & liability program insured almost $30 billion in property values and over $1.2 million in students. The program lost one small charter school member in this fiscal year and have a total of 114 members. In fiscal year 2016-2017, the property & liability program earned a total of $2,810,000 in interest income and recognized a net decrease in investment fair value of $2,113,000.

The total operating expenses in the property & liability fund increased by $5,564,000, largely due to the increase in claims expense and excess insurance premiums. Claims expense increased by $7,752,000 from the prior year as the result of several large settlement payments made during the year. To avoid incurring a catastrophic or severe loss in any one program year, ASCIP purchased excess and/or reinsurance in each of its programs. In fiscal year 2016-2017, the total excess/reinsurance premiums increased by $3,707,000, mainly due to the increase in SELF excess liability premiums and the funding of the student accident program premiums of approximately $1.6 million. This year, ASCIP continued to retain the same reinsurance structure in the liability program. ASCIP self-insured up to $2 million and purchased reinsurance for the $3 million in excess of $2 million layer with no aggregate deductible and took a 20 percent quota share of loss with four other reinsurers in this layer. In the property program, ASCIP continued to carry a $1 million deductible as it was in the previous years. Risk control expenses incurred in 2016-2017 were higher than the previous year by $156,000, primarily due to an increase in utilization of services. All other operating expenses in the property & liability program held constant from fiscal year 2015-2016 to fiscal year 2016-2017.

Workers' Compensation Program

The workers' compensation fund ended the fiscal year 2016-2017 with the total assets of $180,311,000, an increase of $15,666,000 from the prior year. The total assets included $44,866,000 in cash and cash equivalents, $1,985,000 in accounts receivable, and $133,460,000 in investments. During the fiscal year, the workers' compensation program transferred $20,000,000 from the funds in LA County pool to the investment portfolio; therefore, the workers' compensation portfolio balance rose to $133,460,000 as of June 30, 2017. For the year, the workers' compensation program earned a total of $1,782,000 in interest income that was re-invested in the portfolio and recognized a net decrease in investment fair value of $1,703,000.

The total liabilities in the workers' compensation fund increased by $14,481,000 to $94,479,000 at the end of fiscal year. The increase was mainly driven by the increase in outstanding claims liability and unallocated claims adjustment expense. The outstanding claims liability for unpaid losses increased by $10,445,000 to $74,004,000. This increase was primarily due the addition of the outstanding liability for the current fiscal year, despite of a decrease in projected ultimate losses for the years prior to June 30, 2016. This year, the unallocated claims adjustment expense increased by $3,662,000 to $11,454,000. ASCIP handles all claims for the SIR program participants and for the 1st Dollar Program participants even when the losses are 100% ceded, as was the case between 2009-2010 and 2011-2012. The actuary estimated that ASCIP spends 11.2 cents on ULAE for every $1.00 that it spends in gross loss and ALAE. The total liabilities also included a dividend payable. Due to the substantial equity in the program, this year ASCIP's Board declared a total retrospective rebate of $3,408,000. Over the last nine years, the workers' compensation program has returned a total of $25,704,000 back to its members.

Despite of a considerable increase in the provision for loss and loss adjustment expense and a large rebate, the workers' compensation fund closed the fiscal year with an increase in net position of $1,297,000, which brought the ending net position to $86,022,000 as of June 30, 2017. This increase was mainly attributable to favorable loss experience and an overall well-managed program.

Member contributions in the workers' compensation program decreased by $848,000 to $36,393,000 for the year ended June 30, 2017 as a result of the decrease in rates, despite an increase of four percent in payroll. In program year 2016-2017, the workers' compensation program lost one charter school member, which decreased the total number of members to forty-five. Total program payroll increased by approximately $96 million to a total payroll of $2.54 billion.

Total operating expenses in the workers' compensation program increased by $8,406,000 from the prior year, primarily due to the increase in provision for IBNR and case reserves and ULAE and a reclassification of the premium rebate as dividend expense instead of retrospective premium deposit adjustment. This year, the provision for IBNR and case reserves increased by $10,445,000, compared to $9,066,000 last year. The provision for ULAE increased by $3,662,000, compared to $119,000 last year. After a thorough review of the adequacy of the ULAE reserves, the actuary recommended ASCIP to increase the ULAE reserves to the amount where it will be more adequate to cover future expenses. The excess insurance premium increased by $37,000 from last year mostly due to the increase in payroll. The general operating expenses were allocated to the workers' compensation fund based on a portion of estimated staff time dedicated to this program. For the fiscal year 2016-2017, 17 percent of the total general administrative expenses were allocated to the worker's compensation fund.

Employee Benefits Programs

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

As of June 30, 2017, the employee benefits fund had total assets of $62,258,000, an increase of $12,431,000 from prior year. The total assets included $57,175,000 in cash and cash equivalents, $4,650,000 in prepaid deposits, and $433,000 in accounts receivable.

The total liabilities in the employee benefits fund were $12,605,000 including $5,275,000 in accounts payable, $6,222,000 in outstanding claims liability, $530,000 in unallocated claims adjustment expense, $577,000 in net OPEB and pension liability. As of June 30, 2017, the employee benefits program's outstanding claims liability increased by $1,044,000. This increase was largely driven by the increase in the IBNR reserves in the self-funded medical plan. The medical plan reserves went up this year reflecting higher enrollment and claims for the Anthem medical and prescription drugs. The increase in the IBNR reserves also drove up the provision for claims adjustment expense, increased by $102,000.

For the year ended June 30, 2017, member contributions in the employee benefits programs totaled $172,928,000 including $123,547,000 from the medical and miscellaneous plans, $45,137,000 from the dental plans, and $4,244,000 from the vision plans. Total member contributions for fiscal year 2016-2017 was $669,000 higher compared to the prior year mainly due to the increase in enrollment in the dental plan.

During fiscal year 2016-2017, the employee benefits program incurred total operating expenses of $162,901,000, which included $63,464,000 in insurance premiums paid for the fully-insured plans, $85,218,000 in claims payment made for the self-funded plans, $1,147,000 increase in provision for IBNR, case reserves and ULAE, $4,656,000 in claims administration, $6,097,000 in excess insurance, and $2,319,000 in other general administrative expenses. Total expenses for fiscal year 2016-2017 were $2,352,000 higher than the previous year primarily due to the increase in claims expense in the self-funded medical plan.

For the year, the employee benefits program ended with a total of $10,573,000 increase in net position, which increased the ending net position to $49,932,000 as of June 30, 2017.

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

In fiscal year 2016-2017, the OCIP program added four new construction projects and closed two projects with a total premium of $1,792,000 bringing the total number of projects to 80 projects and a total premium of $32,678,000 from the inception of CIPA in 2005.

In compliance with Generally Accepted Accounting Principles (GAAP), the OCIP program recognized revenues over the life of the projects. For fiscal year 2016-2017, the OCIP program earned a total premium of $1,620,000, including $342,000 on project enrolled during this fiscal year, and $1,278,000 on projects enrolled in previous fiscal years. Collected but unearned revenue of $1,870,000 will be recognized in future fiscal years.

Total expenses for the fiscal year 2016-2017 were $1,534,000. Included in the total expenses were excess insurance premium of $465,000, IBNR adjustment of $360,000, loss payment of $195,000, OCIP administrator and broker's fees of $249,000, and general administrative expenses of $265,000.

For the year, the OCIP program had an increase in net position of $127,000 bringing the total net position to $3,058,000 as of June 30, 2017.

At June 30, 2017, the OCIP program's total assets were $8,087,000 and liabilities were $5,030,000. The total assets included $5,705,000 investments in various types of fix-income securities. In order to maximize investment returns, CIPA also utilizes Public Financial Management, Inc. as its investment advisor to manage its investment portfolio.

Captive Insurance for Public Agencies, Ltd. (CIPA) – Student Accident Program

For fiscal year 2016-2017, the Student Accident program earned a total premium of $794,000. This is 50 percent share of the program gross premium of $1,588,000 with the fronting carrier, QBE.

Total expenses for the fiscal year were $$498,000. Included in the total expenses were $35,000 of paid losses, $164,000 of IBNR and case reserves, $121,000 of intermediary fee and commission, $59,500 of claims administration fees, $63,500 of carrier fronting fee, and $56,000 of other contract services and expenses.

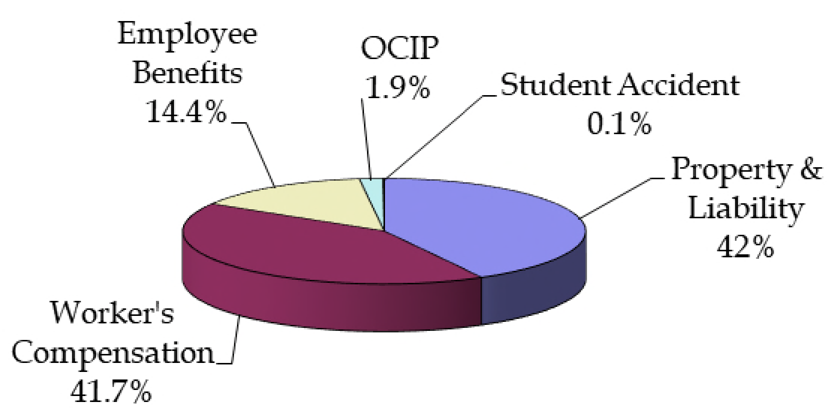
For the year, the Student Accident program had a net income of $295,500. At June 30, 2017, the program's total assets were $577,000. These are funds held by the carrier. Total liabilities were $281,000 including $117,000 of allocated expenses payable to the OCIP program and $164,000 of case reserves and IBNR.

QBE requires CIPA to provide appropriate collateral as security for its obligations, where CIPA's obligations are comprised of unpaid loss reserves and unearned premium reserves. CIPA satisfies the requirement under a funds withheld arrangement. If the funds withheld are not sufficient to cover CIPA's obligations, CIPA may need to provide additional collateral to QBE.

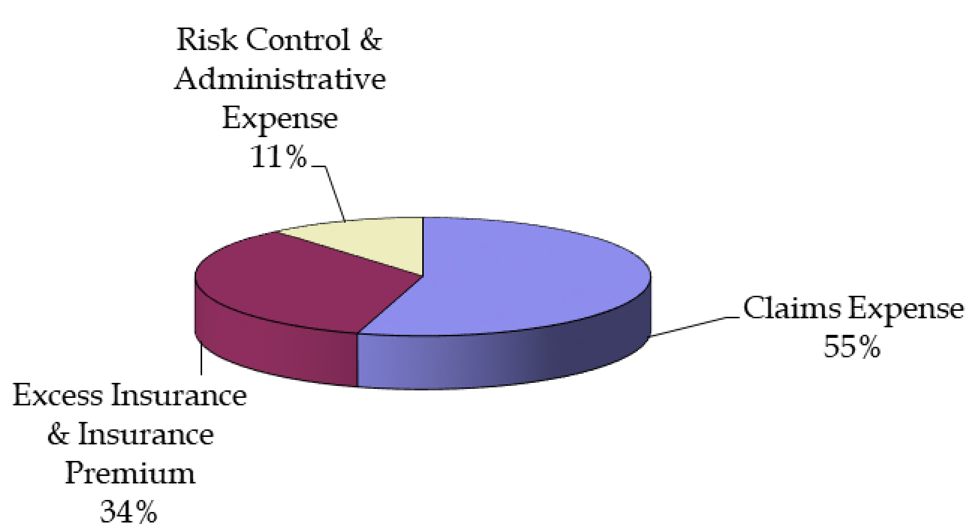
Under the reinsurance agreement, 80 percent of the excess funds withheld will be released to CIPA 12 months following expiration of the coverage (i.e. on or before 6/30/2018), with remaining amounts released 18 months after expiration.

GRAPHICAL PRESENTATION OF ASSETS AND EXPENSES

Total Assets by Program at June 30, 2017



Breakdown of Expenses for the Year Ended June 30, 2017



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

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Cash and cash equivalents	$ 117,861,394
Restricted assets - cash and cash equivalents	30,342
Receivables	7,870,567
Investments maturing within one year	26,554,795
Restricted assets - investments maturing within one year	4,990,000
Prepaid expenses and deposits	6,336,011
Total Current Assets	163,643,109
Investments, net of amount maturing within one year	264,418,092
Capital assets	7,669,522
Less: Accumulated depreciation	(2,926,354)
Net capital assets	4,743,168
Total Non-Current Assets	269,161,260
Total Assets	432,804,369
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	1,683,588
LIABILITIES	
Accounts payable	8,481,045
Advance SIR and excess insurance payments	3,212,115
Unearned premium revenues	1,870,443
Current portion of unpaid claims	54,876,911
Unallocated claims adjustment expenses (ULAE)	16,843,382
Premium dividends payable	3,407,830
Licensing agreement obligation	38,376
Risk management deposit fund	13,275,844
Safety credit payable	973,880
Total Current Liabilities	102,979,826
Unpaid claims and claims adjustment expenses, net of current portion	134,959,319
Net OPEB liability	185,530
Net pension liability	1,643,087
Total Long-Term Liabilities	136,787,936
Total Liabilities	239,767,762
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	604,583
NET POSITION	
Net investment in capital assets	4,743,168
Restricted	5,020,342
Unrestricted	184,352,102
Total Net Position	$ 194,115,612

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

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

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

REVENUES	
Premium deposits from members	$ 268,744,570
Other income	673,013
Total Operating Revenues	269,417,583
EXPENSES	
Claims expense, net of reimbursements of $15,197,215	130,748,795
Provision for IBNR and case reserves	12,448,268
Excess/reinsurance premiums	25,944,010
Insurance premiums	63,527,929
Contract services:	
Claims administration	7,807,240
Provision for ULAE reserves	3,895,540
Broker's fees	936,027
General counsel services	222,670
Captive management	71,204
OCIP program marketing/sales	31,953
Rating and actuarial services	417,075
Accounting and audit services	107,503
Investment advisory service	317,555
Salaries and benefits	5,128,533
Property appraisal	340,259
Other contract services	350,310
Loss control and risk management	3,862,314
Pension expense	89,464
Other operating expenses	1,990,986
Interest	206,379
Premium dividends	3,407,830
Depreciation	331,520
Total Operating Expenses	262,183,364
Operating Income	7,234,219
NON-OPERATING REVENUES	
Interest and dividend income	5,898,989
Net realized gains	338,988
Net unrealized loss	(4,171,455)
Total Non-Operating Revenues	2,066,522
CHANGE IN NET POSITION	9,300,741
NET POSITION, BEGINNING OF YEAR	184,814,871
NET POSITION, END OF YEAR	$ 194,115,612

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for premium contributions and other income	$ 265,656,843
Claims paid	(133,779,923)
Cash paid to employees	(5,128,533)
Cash paid for benefits, insurance, and other expenses	(105,946,698)
Cash paid for pension plan	(411,682)
Net Cash Provided by Operating Activities	20,390,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of equipment	(74,739)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividend income received	5,898,989
Net realized losses from investing securities	(338,988)
Purchase of investing securities	(247,471,816)
Proceeds from sale of investing securities	213,196,121
Net Cash Used in Investing Activities	(28,715,694)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,400,426)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	126,261,820
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 117,861,394
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 7,234,219
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	331,520
Increase in accounts receivable	(2,692,269)
Increase in prepaids and deposits	(906,014)
Increase in deferred outflow of resources	(459,445)
Decrease in accounts payable and other liabilities	2,546,179
Increase in unearned revenue	172,307
Increase in unpaid claims and adjustments	16,369,354
Decrease in risk management deposit fund	(2,343,071)
Increase in net pension liability	390,218
Decrease in deferred inflow of resources	(252,991)
Net Cash Provided by Operating Activities	$ 20,390,007
NONCASH INVESTING ACTIVITIES	
Net decrease in fair value of investments	$ (4,171,455)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Financial Reporting Entity</u>

Alliance of Schools for Cooperative Insurance Programs (ASCIP) was formed in October 1985, under a joint powers agreement (JPA) between participating school districts located within Los Angeles and Orange Counties, pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the *California Government Code*. Subsequently, ASCIP expanded to a statewide charter effective 1994. The purpose of ASCIP is to provide a more viable and economical insurance program to its members than individual members might otherwise be able to obtain operating on their own. During the fiscal year ended June 30, 2017, there were 142 participants in the ASCIP programs. Members may withdraw from ASCIP at the end of any fiscal year by notifying the Executive Committee in writing at least 90 days prior to the close of the insurance coverage year.

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

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

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

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

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

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

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

Basis of Presentation

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

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

Property and Liability Fund

Members participate in the following programs:

Liability Insurance:

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

A reinsured liability insurance program covering claims between $2,000,001 and $5,000,000 in which ASCIP takes a 20 percent quota share position.

Property Insurance:

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

A fully reinsured property insurance program covering claims beyond the $1,000,000, up to $600,000,000 per occurrence.

Crime Insurance:

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

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

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

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

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

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

A fully insured insurance plan covering claims between $250,000 and $1,000,000.

Auto Physical Damage Insurance:

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

Workers' Compensation Fund

Members participate in the following programs:

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

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

Employee Benefits Fund

Members participate in the following programs:

Medical:

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

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

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

Dental:

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

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

Vision:

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

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

Ancillary Programs:

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

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

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

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

Owner-Controlled Insurance Program (OCIP) Fund

Members participate in the following programs:

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

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

Student Accidental Fund

Members participate in the following program:

An insured student accident program that provides reimbursement for medical expenses and benefits for accidental death and dismemberment. The coverage has a $250 deductible with varying maximum limits between $10,000 and $25,000 depending on the benefit.

Cash and Cash Equivalents

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

Investment and Investment Pools

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

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

Restricted Assets

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

Prepaid Expenses

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

Capital Assets

Equipment acquired by enterprise funds is capitalized. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheet. Depreciation has been provided over the estimated useful lives ranging from three to ten years using the straight-line method of depreciation. Depreciation expense amounted to $331,520 for the year ended June 30, 2017.

Unearned Revenue (Premium Income)

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

Unpaid Claims Liabilities

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The Agency reports deferred outflows of resources for the current year pension contributions, for the difference between expected and actual experience, in the measurement of the total pension liability, for the net change in proportionate share of net pension liability, and the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Agency reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability and changes of assumptions.

Retrospective Premium Deposit Ratings Adjustment

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

Use of Estimates

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

Excess Insurance

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

Income Taxes

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

Change in Accounting Principles

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The ASCIP has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The ASCIP has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2017, consist of the following:

Cash in banks	$ 1,851,643
Investments classified as cash equivalents:	
Investment in State investment pool	4,076,858
Investment in County treasury	111,963,235
Total Cash and Cash Equivalents	$ 117,891,736

Investments

Investments as of June 30, 2017, are classified as follows:

Investments maturing within one year	
Unrestricted	$ 26,554,795
Restricted	4,990,000
	31,544,795
Investments maturing after one year	
Unrestricted	264,418,092
Total Investments	$ 295,962,887

Policies and Practices

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

Investment in County Treasury

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

Investment in the State Investment Pool

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Municipal Securities	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	20%	None
Supranationals	5 years	10%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None*	None
Joint Powers Authority Pools	N/A	None	None

* Maximum of $65 million per investor.

Interest Rate Risk

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

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

Cash/Investment Type	Reported Amount	12 Months or Less	13 - 24 Months	25 - 60 Months
County Pool	$ 111,963,235	$ -	$ -	$ 111,963,235
State Investment Pool	4,076,858	4,076,858	-	-
	116,040,093	4,076,858	-	111,963,235
U.S. Treasury Obligations	100,708,471	5,537,080	3,337,027	91,834,364
U.S. Agencies Obligations	74,921,978	959,333	7,601,189	66,361,456
Supranational Obligations	7,609,073	1,255,779	6,353,294	-
Mortgaged Pass-Through Obligations	8,591,921	1,696,271	1,040,555	5,855,095
Corporate Notes	55,373,789	6,840,818	15,694,893	32,838,078
Commercial Paper	2,081,325	2,081,325	-	-
Certificates of Deposit	46,676,330	13,180,268	33,496,062	-
	295,962,887	31,550,874	67,523,020	196,888,993
Total	$ 412,002,980	$ 35,627,732	$ 67,523,020	$ 308,852,228

Credit Risk

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

		Minimum	S&P and Fitch Ratings as of Year End				
	Fair	Legal					
Cash/Investment Type	Value	Rating	AAA	AA+	AA	AA-	A+
U.S. Treasury Obligations	$ 100,708,471	**	$ -	$ 100,708,471	$ -	$ -	$ -
U.S. Agencies Obligations	74,921,978	*	-	74,921,978	-	-	-
Supranational Obligations	7,609,073	AA	7,609,073	-	-	-	-
Mortgaged Pass-Through Obligations	8,591,921	AA	-	8,591,921	-	-	-
Corporate Notes	55,373,789	A	300,024	5,977,928	2,442,722	8,093,010	2,935,668
Commercial Paper	2,081,325	A-1	-	-	-	-	-
Certificates of Deposit	46,676,330		-	-	-	18,058,914	23,328,953
County Pool	111,963,235	*	-	-	-	-	-
State Investment Pool	4,076,858	*	-	-	-	-	-
Total	$ 412,002,980		$ 7,909,097	$ 190,200,298	$ 2,442,722	$ 26,151,924	$ 26,264,621

		Minimum	S&P and Fitch Ratings as of Year End				
	Fair	Legal					
Cash/Investment Type	Value	Rating	A	A-	A-1+	A-1	Unrated
U.S. Treasury Obligations	$ 100,708,471	**	$ -	$ -	$ -	$ -	$ -
U.S. Agencies Obligations	74,921,978	*	-	-	-	-	-
Supranational Obligations	7,609,073	AA	-	-	-	-	-
Mortgaged Pass-Through Obligations	8,591,921	AA	-	-	-	-	-
Corporate Notes	55,373,789	A	22,104,755	13,519,682	-	-	-
Commercial Paper	2,081,325	A-1	-	-	-	2,081,325	-
Certificates of Deposit	46,676,330		5,038,463	-	250,000	-	-
County Pool	111,963,235	*	-	-	-	-	111,963,235
State Investment Pool	4,076,858	*	-	-	-	-	4,076,858
Total	$ 412,002,980		$ 27,143,218	$ 13,519,682	$ 250,000	$ 2,081,325	$ 116,040,093

* Not required to be rated
** Exempt from disclosure

Concentration of Credit Risk

The investment policy of ASCIP contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*, other than corporate issuers which is twenty-five percent (25 percent). At June 30, 2017, ASCIP did not have investments in any one issuer that represent five percent (5 percent) or more of the total investments.

Custodial Credit Risk

Deposits (Banks)

This is the risk that in the event of a bank failure, ASCIP's deposits may not be returned to it. ASCIP does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (the governmental unit may waive collateral for amounts covered by Federal deposit insurance). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, ASCIP's bank balance was insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of ASCIP.

NOTE 3 - FAIR VALUE MEASUREMENTS

The ASCIP categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the ASCIP has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the ASCIP's own data. ASCIP should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the ASCIP are not available to other market participants.

Uncategorized - Investments in the Los Angeles Treasury Investment Pool and the Local Agency Investment Funds are not measured using the input levels above because the ASCIP's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The ASCIP's fair value measurements are as follows at June 30, 2017:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Uncategorized
U.S. Treasury Obligations	$ 100,708,471	$ 100,708,471	$ -	$ -
U.S. Agencies Obligations	74,921,978	-	74,921,978	-
Supranational Obligations	7,609,073	-	7,609,073	-
Mortgaged Pass-Through Obligations	8,591,921	-	8,591,921	-
Corporate Notes	55,373,789	-	55,373,789	-
Commercial Paper	2,081,325	-	2,081,325	-
Certificates of Deposit	46,676,330	-	46,676,330	-
County Pool	111,963,235	-	-	111,963,235
State Investment Pool	4,076,858	-	-	4,076,858
Total	$ 412,002,980	$ 100,708,471	$ 195,254,416	$ 116,040,093

All assets have been valued using a market approach, with quoted prices.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2017, consist of the following:

	Property/ Liability Fund	Workers' Compensation Fund	Employee Benefits Fund	OCIP Fund	Total
Accrued investment income	$ 832,454	$ 831,839	$ 273,139	$ -	$ 1,937,432
Premium contributions	11,172	71,353	29,063	-	111,588
Excess insurance recoveries	3,710,970	26,543	-	-	3,737,513
Premium adjustment	-	1,055,038	-	-	1,055,038
Other accounts receivable	344,162	-	130,938	553,896	1,028,996
Total	$ 4,898,758	$ 1,984,773	$ 433,140	$ 553,896	$ 7,870,567

NOTE 5 - CAPITAL ASSETS

A summary of fixed assets for the year ended June 30, 2017, consists of the following:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Land and buildings	$ 6,328,426	$ 21,430	$ -	$ 6,349,856
Equipment	1,325,601	53,309	(59,242)	1,319,668
Accumulated depreciation	(2,654,078)	(331,520)	59,242	(2,926,356)
Net Capital Assets	$ 4,999,949	$ (256,781)	$ -	$ 4,743,168

NOTE 6 - ACCOUNTS PAYABLE

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

	Property/ Liability Fund	Workers' Compensation Fund	Employee Benefits Fund	OCIP Fund	Total
Salaries and benefits	$ 274,202	$ 73,743	$ 96,506	$ -	$ 444,451
Accrued vacation	218,826	61,191	90,102	-	370,119
Other services and operating expenses	1,233,519	432,360	5,088,662	492,230	7,246,771
Due to members	-	419,704	-	-	419,704
Total	$ 1,726,547	$ 986,998	$ 5,275,270	$ 492,230	$ 8,481,045

NOTE 7 - ADVANCE SIR AND EXCESS INSURANCE PAYMENTS

ASCIP retains members' self-Insured retention (SIR) deposits and advance excess insurance carrier payments for known losses for its property and liability program. ASCIP retains these payments on behalf of its members' and excess insurance carriers until actual claims paid would deplete the deposits made. At June 30, 2017, ASCIP held a total of $3,212,115 in member SIR and excess insurance payment deposits.

NOTE 8 - UNEARNED PREMIUM REVENUES

Unearned premium revenues at June 30, 2017, consist of the following:

Employee Benefits Fund	$ 578
OCIP Fund	1,869,865
Total	$ 1,870,443

NOTE 9 - PREMIUM DIVIDEND

ASCIP is required by its bylaws to recalculate and adjust prior years' premium deposits at annual intervals until all claims are closed or until the Executive Committee determines that sufficient facts are known so that no additional calculations should be made. During the year ended June 30, 2017, retrospective adjustments of $3,407,830 were calculated related to premiums received for the six years ended June 30, 2004, June 30, 2005, June 30, 2006, June 30, 2007, June 30, 2008, and June 30, 2009.

NOTE 10 - LICENSING AGREEMENT OBLIGATION

ASCIP entered into software licensing agreements where the agreements stipulated that ASCIP would make installment payments over the terms of the agreements until the obligations have been fulfilled. At June 30, 2017, ASCIP outstanding licensing agreement obligation amounted to $38,376.

NOTE 11 - RISK MANAGEMENT DEPOSIT FUND

The Risk Management Deposit Fund (RMDF) was established to provide participating members with the option to defer receipt of distributions made by ASCIP. The deferred funds may be used to off-set future ASCIP premiums or other ASCIP-related risk management and safety expenses. Deferral requires both written authorization by the member's senior administrative official and approval by ASCIP's Executive Committee. ASCIP limits the total amount funds held in the RMDF to the member's total annual premiums from the prior year. ASCIP credits interest income to member funds held within the RMDF and provides members with quarterly statements. Withdrawal of RMDF funds requires written instructions from the senior administrator or their designee(s). As of June 30, 2017, ASCIP reported a total balance of $13,275,844 in its RMDF.

NOTE 12 - SAFETY CREDIT PAYABLE

The Safety Credit program was established by ASCIP to offer its members with the ability to utilize portions of their premiums set aside by the ASCIP to finance flexible safety-oriented activities and programs conducted by the members. The Safety Credit program is administered by ASCIP as a reimbursement-basis program. Members are reimbursed upon the submission of adequate supporting documents. Annually, one percent of member premium contributions are set aside for the Safety Credit program for each member participating in ASCIP property/liability and workers' compensation insurance programs. Safety credits set aside by ASCIP are subject to three-years rolling expiration. As of June 30, 2017, ASCIP reported the following Safety Credit payable:

Property/Liability Fund	$ 621,268
Workers' Compensation Fund	352,612
Total	$ 973,880

NOTE 13 - UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

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

The liability recorded for incurred losses is based on information obtained from independent actuarial reports. The supporting information provided by ASCIP relies on the continuance of certain historical trends and forecasts of future activities and conditions. Although management believes that the claims payable for losses and loss expenses at June 30, 2017, is adequate, the ultimate settlement of claims and related expenses may vary from the liability recorded.

NOTE 14 - RECONCILIATION OF UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

As discussed in Note 13, ASCIP establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for ASCIP during the fiscal years ended June 30, 2016 and 2017:

	2016	2017
Unpaid claims at beginning of year	$ 174,564,629	$ 190,310,258
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	133,916,478	142,507,203
Decrease in provision for insured events of prior years	4,831,985	7,736,391
Total Incurred Claims and Claim Adjustment Expenses	138,748,463	150,243,594
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	78,148,823	83,241,705
Claims and claim adjustment expenses attributable to insured events of prior years	44,854,011	50,632,535
Total Payments	123,002,834	133,874,240
Total unpaid claims at end of year	190,310,258	206,679,612
Current portion	(57,199,734)	(71,720,293)
Non-current portion	$ 133,110,524	$ 134,959,319

NOTE 15 - EMPLOYEE RETIREMENT SYSTEM

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2017, the ASCIP reported net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the plan as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalPERS	$ 1,643,087	$ 1,683,588	$ 604,583	$ 89,464

Plan Description

Qualified employees are eligible to participate in the Miscellaneous Employer Pool (MEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Miscellaneous Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the 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 Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total Agency contributions were $411,681.

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

As of June 30, 2017, the Agency reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $1,643,087. The net pension liability was measured as of June 30, 2016. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Agency's, actuarially determined. The Agency's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0473 percent and 0.0457 percent, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2017, the Agency recognized pension expense of $89,464. At June 30, 2017, the Agency 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	$ 411,681	$ -
Net Change in proportionate share of net pension liability	165,043	134,453
Differences between projected and actual earnings on pension plan investments	937,824	355,544
Difference between expected and actual experiences in the measurement of the total pension liability	11,825	2,709
Changes in assumption	-	111,877
Changes in proportionate share contributions	157,215	-
Total	$ 1,683,588	$ 604,583

The deferred outflow of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflow) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflow/ Inflow of Resources
2018	$ 84,564
2019	84,564
2020	262,336
2021	150,816
Total	$ 582,280

The deferred outflows/(inflows) of resources to the net change in proportionate share of net pension liability, changes of assumptions, the difference between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2015-2016 measurement period is 3.7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflow/ Inflow of Resources
2018	$ (648)
2019	17,330
2020	68,362
Total	$ 85,044

Actuarial Methods and Assumptions

Total pension liability for the MEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7. 65%
Investment rate of return	7. 65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Miscellaneous Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the Agency's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 2,459,641
Current discount rate (7.65%)	1,643,087
1% increase (8.65%)	972,783

NOTE 16 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by ASCIP. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of one retiree and beneficiary current receiving benefits and 29 active Plan members.

Contribution Information

The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, ASCIP was not required to contribute to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 25,363
Interest on net OPEB obligation	9,099
Adjustment to annual required contribution	(11,552)
Annual OPEB cost	22,910
Contributions made	(3,397)
Adjustment to contributions	(15,956)
Increase in net OPEB obligation	3,557
Net OPEB obligation, beginning of year	181,973
Net OPEB obligation, end of year	$ 185,530

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 20,182	$ 3,397	16.83%	$ 179,494
2016	21,407	18,928	88.42%	181,973
2017	22,910	19,353	84.47%	185,530

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2016	$ -	$ 169,574	$ 169,574	0.00%	$ 4,137,910	4.10%

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2016, was 21 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

ASCIP's member agencies are members of the Schools Excess Liability Fund (SELF) public entity risk pool. Member agencies pay an annual premium to SELF for excess insurance coverage for liability claims from $5,000,001 to $55,000,000. The relationship between ASCIP and SELF is such that SELF is not a component unit of ASCIP for financial reporting purposes. The governing board consists of elected representative of the members by region.

SELF has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between SELF and ASCIP are included in these statements. The payments to SELF for the year ended June 30, 2017, were $6,649,931. Audited financial statements are available from SELF at their website, www.selfjpa.org.

NOTE 18 - CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

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

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2017

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

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue, and reported investment revenue.

2. This line shows each fiscal year's other operating costs of ASCIP including overhead and claims expense not allocable to individual claims.

3. This line shows ASCIP's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called *policy year*).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known).

7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

See accompanying note to required supplementary information

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

CLAIMS DEVELOPMENT INFORMATION
PROPERTY AND LIABILITY PROGRAM
JUNE 30, 2017

CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)

	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
(1) Required contribution and investment revenue:				
Earned	$ 55,639	$ 59,155	$ 63,051	$ 61,583
Ceded	(12,383)	(12,151)	(12,206)	(11,620)
Net earned	43,256	47,004	50,845	49,963
(2) Unallocated expenses	7,646	8,380	8,673	8,302
(3) Estimated claims and expenses, end of policy year:				
Incurred	31,435	32,408	30,240	29,431
Ceded	-	-	-	-
Net incurred	31,435	32,408	30,240	29,431
(4) Net paid (cumulative) as of:				
June 30, 2008	3,381	-	-	-
June 30, 2009	12,743	3,643	-	-
June 30, 2010	22,225	10,652	2,664	-
June 30, 2011	28,860	20,599	9,007	4,219
June 30, 2012	29,577	27,161	18,137	10,209
June 30, 2013	33,122	31,263	23,774	28,000
June 30, 2014	33,595	32,310	26,602	32,663
June 30, 2015	33,658	31,384	28,751	32,811
June 30, 2016	33,798	33,803	29,547	37,077
June 30, 2017	44,441	43,925	32,557	42,802
(5) Re-estimated ceded claims and expenses:	10,987	9,285	1,343	5,771
(6) Re-estimated net incurred claims and expenses:				
June 30, 2008	31,435	-	-	-
June 30, 2009	32,397	32,408	-	-
June 30, 2010	34,227	29,812	30,240	-
June 30, 2011	33,902	30,909	31,630	29,431
June 30, 2012	32,582	30,669	31,136	35,195
June 30, 2013	35,707	34,358	30,076	42,040
June 30, 2014	35,450	35,876	31,558	41,600
June 30, 2015	35,668	35,198	32,957	42,032
June 30, 2016	35,216	36,164	32,395	40,001
June 30, 2017	34,802	36,840	33,165	39,430
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	$ (3,367)	$ (4,432)	$ (2,925)	$ (9,999)

See accompanying note to required supplementary information

June 30,					
2012	2013	2014	2015	2016	2017
$ 59,400	$ 58,514	$ 56,514	$ 56,671	$ 59,326	$ 58,378
(11,617)	(11,448)	(13,759)	(13,578)	(14,080)	(17,787)
47,783	47,066	42,755	43,093	45,246	40,591
8,893	7,749	5,898	8,912	8,432	9,139
31,054	50,221	38,947	31,380	43,524	39,887
-	(9,402)	(1,599)	-	(9,164)	(4,918)
31,054	40,819	37,348	31,380	34,360	34,969
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,415	-	-	-	-	-
11,646	3,963	-	-	-	-
16,354	7,493	3,393	-	-	-
23,286	17,984	7,429	1,586	-	-
26,461	24,598	11,615	3,846	2,673	-
36,101	35,322	20,228	13,624	9,193	1,378
5,723	15,444	4,283	6,032	9,699	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,054	-	-	-	-	-
33,302	40,819	-	-	-	-
34,914	33,972	37,348	-	-	-
33,903	33,611	30,298	31,380	-	-
34,219	38,819	29,198	28,082	34,360	-
34,791	39,963	28,860	29,866	31,206	34,969
$ (3,737)	$ 856	$ 8,488	$ 1,514	$ 3,154	$ -

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

CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
JUNE 30, 2017

CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)

	June 30,			
	2008	2009	2010*	2011*
(1) Required contribution and investment revenue:				
Earned	$ 23,311	$ 19,671	$ 24,208	$ 25,343
Ceded	(1,478)	(9,146)	(14,688)	(16,721)
Net earned	21,833	10,525	9,520	8,622
(2) Unallocated expenses	2,585	3,019	3,201	3,619
(3) Estimated claims and expenses, end of policy year:				
Incurred	9,727	683	-	-
Ceded	-	-	-	-
Net incurred	9,727	683	-	-
(4) Net paid (cumulative) as of:				
June 30, 2008	1,233	-	-	-
June 30, 2009	2,588	-	-	-
June 30, 2010	3,460	-	-	-
June 30, 2011	4,276	-	-	-
June 30, 2012	4,675	-	-	-
June 30, 2013	5,020	-	-	-
June 30, 2014	5,311	135	-	-
June 30, 2015	5,597	210	-	-
June 30, 2016	5,716	292	-	-
June 30, 2017	5,813	403		
(5) Re-estimated ceded claims and expenses:	4,861	12,341	-	-
(6) Re-estimated net incurred claims and expenses:				
June 30, 2008	9,727	-	-	-
June 30, 2009	8,714	683	-	-
June 30, 2010	8,034	795	-	-
June 30, 2011	7,923	719	-	-
June 30, 2012	7,785	-	-	-
June 30, 2013	6,867	-	-	-
June 30, 2014	6,873	667	-	-
June 30, 2015	7,138	760	-	-
June 30, 2016	6,960	1,051	-	-
June 30, 2017	6,984	1,005		
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	$ 2,743	$ (322)	$ -	$ -

***Fully Insured**

See accompanying note to required supplementary information

June 30,					
2012*	2013	2014	2015	2016	2017
$ 26,101	$ 27,774	$ 28,903	$ 34,771	$ 38,103	$ 33,770
(16,787)	(1,321)	(1,397)	(1,399)	(1,558)	(1,595)
9,314	26,453	27,506	33,372	36,545	32,175
4,010	5,304	9,853	6,127	5,350	9,139
-	25,718	30,055	32,989	31,464	32,947
-	(2,385)	(9,296)	(9,957)	(9,370)	(10,903)
-	23,333	20,759	23,032	22,094	22,044
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,450	-	-	-	-
-	5,008	2,445	-	-	-
-	7,085	5,029	2,982	-	-
-	9,398	7,020	5,880	2,981	-
	10,706	8,287	7,797	6,432	2,615
-	9,693	9,106	9,148	10,287	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	23,333	-	-	-	-
-	18,451	20,759	-	-	-
-	19,721	17,685	23,032	-	-
-	19,267	18,706	20,920	22,094	-
	18,553	17,138	21,113	23,614	22,044
$ -	$ 4,780	$ 3,621	$ 1,919	$ (1,520)	$ -

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

CLAIMS DEVELOPMENT INFORMATION
EMPLOYEE BENEFITS PROGRAM
JUNE 30, 2017

CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)

	2015	2016	2017
(1) Required contribution and investment revenue:			
Earned	$ 135,613	$ 172,556	$ 173,474
Ceded	(3,120)	(5,740)	(6,097)
Net earned	132,493	166,816	167,377
(2) Unallocated expenses	6,134	7,764	7,077
(3) Estimated claims and expenses, end of policy year:			
Incurred	49,376	76,957	84,615
Ceded	-	-	-
Net incurred	49,376	76,957	84,615
(4) Net paid (cumulative) as of:			
June 30, 2015	49,943	-	-
June 30, 2016	56,606	72,487	-
June 30, 2017	56,607	76,304	79,071
(5) Re-estimated ceded claims and expenses:	-	-	-
(6) Re-estimated net incurred claims and expenses:			
June 30, 2015	89,722	-	-
June 30, 2016	56,607	76,957	-
June 30, 2017	56,670	76,338	84,615
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	$ (7,294)	$ 619	$ -

See accompanying note to required supplementary information

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

CLAIMS DEVELOPMENT INFORMATION
OCIP PROGRAM
JUNE 30, 2017

CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (in Thousands)

	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
(1) Required contribution and investment revenue:				
Earned	$ 3,129	$ 3,049	$ 3,130	$ 4,504
Ceded	(1,008)	(598)	(1,778)	(1,179)
Net earned	2,121	2,451	1,352	3,325
(2) Unallocated expenses	611	714	720	1,029
(3) Estimated claims and expenses, end of policy year:				
Incurred	484	858	563	1,690
Ceded	-	-	-	-
Net incurred	484	858	563	1,690
(4) Net paid (cumulative) as of:				
June 30, 2008	56	-	-	-
June 30, 2009	64	166	-	-
June 30, 2010	77	351	52	-
June 30, 2011	95	487	179	233
June 30, 2012	87	683	255	867
June 30, 2013	120	834	371	1,242
June 30, 2014	128	899	515	1,780
June 30, 2015	137	933	533	2,189
June 30, 2016	140	1,063	607	2,964
June 30, 2017	143	1,099	515	3,595
(5) Re-estimated ceded claims and expenses:	-	-	-	-
(6) Re-estimated net incurred claims and expenses:				
June 30, 2008	78	-	-	-
June 30, 2009	64	369	-	-
June 30, 2010	106	446	119	-
June 30, 2011	110	604	294	1,297
June 30, 2012	97	775	375	1,943
June 30, 2013	157	908	529	2,329
June 30, 2014	128	1,086	660	3,585
June 30, 2015	137	1,107	684	3,599
June 30, 2016	140	1,213	786	4,374
June 30, 2017	195	1,200	829	4,489
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	$ 289	$ (342)	$ (266)	$ (2,799)

See accompanying note to required supplementary information

June 30,					
2012	2013	2014	2015	2016	2017
$ 3,204	$ 2,113	$ 2,504	$ 1,653	$ 1,786	$ 1,661
(1,422)	(152)	(965)	(505)	(496)	(465)
1,782	1,961	1,539	1,148	1,290	1,196
329	686	675	305	473	515
672	408	670	521	504	620
-	-	-	-	-	-
672	408	670	521	504	620
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
108	-	-	-	-	-
377	120	-	-	-	-
411	349	19	-	-	-
459	406	21	39	-	-
1,278	428	22	160	8	-
1,286	449	23	226	47	84
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
290	-	-	-	-	-
432	408	-	-	-	-
758	848	670	-	-	-
1,565	747	372	521		
1,376	644	231	502	504	-
1,361	636	139	437	442	620
$ (689)	$ (228)	$ 531	$ 84	$ 62	$ -

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

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

	Property and Liability		Workers' Compensation	
	2016	2017	2016	2017
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 103,996,895	$ 111,073,306	$ 62,164,718	$ 71,349,864
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	34,360,466	34,968,501	22,094,978	22,044,656
Increases (Decreases) in provision for insured events of prior fiscal years	612,529	273,266	858,226	5,734,648
Total Incurred Claims and Claim Adjustment Expenses	34,972,995	35,241,767	22,953,204	27,779,304
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	2,672,928	1,378,164	2,981,416	2,614,566
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	25,223,656	33,298,267	10,786,642	11,056,978
Total Payments	27,896,584	34,676,431	13,768,058	13,671,544
Total Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	$ 111,073,306	$ 111,638,642	$ 71,349,864	$ 85,457,624

See accompanying note to required supplementary information

Employee Benefits		OCIP		STAC		Total	
2016	2017	2016	2017	2016	2017	2016	2017
$4,578,963	$5,605,344	$3,824,053	$2,281,744	$ -	$ -	$174,564,629	$190,310,258
76,956,677	84,614,740	504,357	621,274	-	258,032	133,916,478	142,507,203
4,158,450	1,749,923	(797,220)	(21,446)	-	-	4,831,985	7,736,391
81,115,127	86,364,663	(292,863)	599,828	-	258,032	138,748,463	150,243,594
72,486,671	79,071,352	7,808	83,306	-	94,317	78,148,823	83,241,705
7,602,075	6,146,567	1,241,638	130,723	-	-	44,854,011	50,632,535
80,088,746	85,217,919	1,249,446	214,029	-	94,317	123,002,834	133,874,240
$5,605,344	$6,752,088	$2,281,744	$2,667,543	$ -	$163,715	$190,310,258	$206,679,612

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

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ -	$ 133,472	$ 133,472	0.00%	$ 4,137,910	3.23%
July 1, 2015	-	150,911	150,911	0.00%	3,269,226	4.62%
July 1, 2016	-	169,574	169,574	0.00%	4,137,910	4.10%

See accompanying note to required supplementary information

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

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2017

	2017	2016	2015
CalPERS			
Agency's proportion of the net pension liability	0.0473%	0.0457%	0.0201%
Agency's proportionate share of the net pension liability	$ 1,643,087	$ 1,252,869	$ 1,224,143
Agency's covered - employee payroll	$ 4,137,910	$ 2,912,480	$ 2,520,782
Agency's proportionate share of the net pension liability as a percentage of its covered - employee payroll	40%	43%	49%
Plan fiduciary net position as a percentage of the total pension liability	76%	81%	81%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information

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

SCHEDULE OF AGENCY CONTRIBUTIONS
JUNE 30, 2017

	2017	2016	2015
CalPERS			
Contractually required contribution	$ 411,681	$ 338,763	$ 354,308
Contributions in relation to the contractually required contribution	411,861	338,763	354,308
Contribution deficiency (excess)	$ -	$ -	$ -
Agency's covered - employee payroll	$ 4,137,910	$ 2,912,480	$ 2,912,480
Contributions as a percentage of covered - employee payroll	9.95%	11.63%	12.17%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Claims Development Information

This schedule presents information on how the Agency's insurance funds illustrates how earned revenues and investment income compare to related costs of loss and other expenses assumed by the insurance fund as of the end of each of the last ten years.

Reconciliation of Claims Liability by Type of Contract

This schedule presents information on how the Agency establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the Agency's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the Agency's Proportionate Share of the Net Pension Liability

This schedule presents information on the Agency's proportionate share of the net pension liability (NPL), the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation.

Changes in Assumptions – There were no changes in economic assumptions from the previous valuation.

Schedule of Agency Contributions

This schedule presents information on the Agency's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

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

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Property and Liability	Workers' Compensation	Employee Benefits	OCIP	Student Accident	Total
ASSETS						
Cash and cash equivalents	$ 14,956,306	$ 44,866,473	$ 57,175,136	$ 863,479	$ -	$ 117,861,394
Restricted assets - cash and cash equivalents	30,342	-	-	-	-	30,342
Receivables	4,898,758	1,984,773	433,140	553,896	-	7,870,567
Internal balances	-	-	-	117,386	(117,386)	-
Investments maturing within one year, net of restricted assets	13,395,090	10,480,493	-	2,679,212	-	26,554,795
Restricted assets - investments	4,990,000	-	-	-	-	4,990,000
Prepaid expenses and deposits	261,941	-	4,650,000	847,503	576,567	6,336,011
Total Current Assets	38,532,437	57,331,739	62,258,276	5,061,476	459,181	163,643,109
NON-CURRENT ASSETS						
Investments, net of amount maturing within one year	138,413,158	122,979,153	-	3,025,781	-	264,418,092
Capital assets	7,669,522	-	-	-	-	7,669,522
Less: Accumulated depreciation	(2,926,354)	-	-	-	-	(2,926,354)
Net Capital Assets	4,743,168	-	-	-	-	4,743,168
Total Non-Current Assets	143,156,326	122,979,153	-	3,025,781	-	269,161,260
Total Assets	181,688,763	180,310,892	62,258,276	8,087,257	459,181	432,804,369
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources for pension	895,548	307,417	480,623	-	-	1,683,588
LIABILITIES						
Accounts payable	1,726,547	986,998	5,275,270	492,230	-	8,481,045
Advance SIR and excess insurance payments	3,212,115	-	-	-	-	3,212,115
Unearned premium revenues	-	-	578	1,869,865	-	1,870,443
Current portion of unpaid claims	34,700,000	13,700,000	6,221,911	220,000	35,000	54,876,911
Unallocated claims adjustment expenses	4,644,229	11,453,721	530,177	215,255	-	16,843,382
Premium dividends payable	-	3,407,830	-	-	-	3,407,830
Licensing agreement obligation	38,376	-	-	-	-	38,376
Risk management deposit fund	9,363,715	3,912,129	-	-	-	13,275,844
Safety credit payable	621,268	352,612	-	-	-	973,880
Total Current Liabilities	54,306,250	33,813,290	12,027,936	2,797,350	35,000	102,979,826
Long-Term Liabilities						
Unpaid claims and claims adjustment expenses, net of current portion	72,294,413	60,303,903	-	2,232,288	128,715	134,959,319
Net OPEB liability	84,122	36,122	65,286	-	-	185,530
Net pension liability	805,435	325,976	511,676	-	-	1,643,087
Total Long-Term Liabilities	73,183,970	60,666,001	576,962	2,232,288	128,715	136,787,936
Total Liabilities	127,490,220	94,479,291	12,604,898	5,029,638	163,715	239,767,762
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources for pension	284,990	117,171	202,422	-	-	604,583
NET POSITION						
Net investment in capital assets	4,743,168	-	-	-	-	4,743,168
Restricted	5,020,342	-	-	-	-	5,020,342
Unrestricted	45,045,591	86,021,847	49,931,579	3,057,619	295,466	184,352,102
Total Net Position	$ 54,809,101	$ 86,021,847	$ 49,931,579	$ 3,057,619	$ 295,466	$ 194,115,612

See accompanying note to supplementary information

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

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

	Property and Liability	Workers' Compensation	Employee Benefits	OCIP	Student Accident	Total
REVENUES						
Premium deposits from members	$ 57,008,936	$ 36,393,394	$ 172,928,180	$ 1,620,115	$ 793,945	$ 268,744,570
Other income	672,125	446	442	-	-	673,013
Total Operating Revenues	57,681,061	36,393,840	172,928,622	1,620,115	793,945	269,417,583
EXPENSES						
Claims expense, net of reimbursements of $15,197,215	34,008,691	11,292,841	85,217,919	194,573	34,771	130,748,795
Provision for IBNR and case reserves	434,401	10,445,422	1,044,475	360,255	163,715	12,448,268
Excess/reinsurance premiums	17,787,052	1,595,471	6,096,962	464,525	-	25,944,010
Insurance premiums	-	-	63,464,413	-	63,516	63,527,929
Contract services						
Claims administration	667,742	2,378,703	4,656,249	45,000	59,546	7,807,240
Provision for ULAE reserves	130,933	3,662,338	102,269	-	-	3,895,540
Broker's fees	489,756	76,230	-	249,361	120,680	936,027
General counsel services	210,197	-	-	9,753	2,720	222,670
Captive management	-	-	-	49,843	21,361	71,204
OCIP Program Marketing/Sale	-	-	-	31,953	-	31,953
Rating and actuarial services	92,621	54,954	260,000	9,500	-	417,075
Accounting and audit services	80,053	-	-	27,450	-	107,503
Investment advisory service	302,994	-	-	14,561	-	317,555
Salaries and benefits	3,080,001	835,113	1,213,419	-	-	5,128,533
Property appraisal	340,259	-	-	-	-	340,259
Other contract services	120,490	192,884	36,936	-	-	350,310
Loss control and risk management	2,819,347	931,859	111,108	-	-	3,862,314
Pension expense	30,123	23,568	35,773	-	-	89,464
Other operating	295,869	924,200	661,359	77,388	32,170	1,990,986
Interest	147,303	59,076	-	-	-	206,379
Premium dividends	-	3,407,830	-	-	-	3,407,830
Depreciation	331,520	-	-	-	-	331,520
Total Operating Expenses	61,369,352	35,880,489	162,900,882	1,534,162	498,479	262,183,364
Operating Income (Loss)	(3,688,291)	513,351	10,027,740	85,953	295,466	7,234,219
NON-OPERATING REVENUES						
Interest and dividend income	2,810,445	2,486,394	544,941	57,209	-	5,898,989
Net realized gains	169,577	171,654	-	(2,243)	-	338,988
Net unrealized losses	(2,282,679)	(1,874,358)	-	(14,418)	-	(4,171,455)
Total Non-Operating Income	697,343	783,690	544,941	40,548	-	2,066,522
CHANGE IN NET POSITION	(2,990,948)	1,297,041	10,572,681	126,501	295,466	9,300,741
NET POSITION, BEGINNING OF YEAR	57,800,049	84,724,806	39,358,898	2,931,118	-	184,814,871
NET POSITION, END OF YEAR	$ 54,809,101	$ 86,021,847	$ 49,931,579	$ 3,057,619	$ 295,466	$ 194,115,612

See accompanying note to supplementary information

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

COMBINING STATEMENT OF CASH FLOWS
JUNE 30, 2017

	Property and Liability	Workers' Compensation	Employee Benefits	OCIP	Student Accident	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received for premium contributions and other income	$ 55,028,898	$ 36,486,803	$ 172,962,486	$ 1,178,656	$ 334,764	$ 265,656,843
Claims paid	(34,676,431)	(13,671,544)	(85,217,919)	(214,029)	(94,317)	(133,779,923)
Cash paid to employees	(3,080,001)	(835,113)	(1,213,419)	-	-	(5,128,533)
Cash paid for benefits, insurance and other expenses	(23,739,395)	(6,935,391)	(74,501,489)	(770,423)	(240,447)	(105,946,698)
Cash paid for pension plan	(231,948)	(69,803)	(109,931)	-	-	(411,682)
Net Cash Provided by (Used in) Operating	(6,698,877)	14,974,952	11,919,728	194,204	-	20,390,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(74,739)	-	-	-	-	(74,739)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividend income received	2,810,445	2,486,394	544,941	57,209	-	5,898,989
Net realized gains (losses) from investing securities	(169,577)	(171,654)	-	2,243	-	(338,988)
Purchase of investments	(117,761,787)	(129,649,413)	-	(60,616)	-	(247,471,816)
Proceeds from sales and maturities of investments	105,431,209	107,764,912	-	-	-	213,196,121
Net Cash Provided by (Used in) Investing Activities	(9,689,710)	(19,569,761)	544,941	(1,164)	-	(28,715,694)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,463,326)	(4,594,809)	12,464,669	193,040	-	(8,400,426)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,419,632	49,461,282	44,710,467	670,439	-	126,261,820
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 14,956,306	$ 44,866,473	$ 57,175,136	$ 863,479	$ -	$ 117,861,394
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ (3,688,291)	$ 513,351	$ 10,027,740	$ 85,953	$ 295,466	$ 7,234,219
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	331,520	-	-	-	-	331,520
(Increase) Decrease in accounts receivable	(2,549,100)	92,963	33,858	(269,990)	-	(2,692,269)
(Increase) Decrease in internal balances	-	-	-	(117,386)	117,386	-
Increase in prepaids and deposits	(103,063)	-	-	(226,384)	(576,567)	(906,014)
Increase in deferred outflows of resources	(279,142)	(69,502)	(110,801)	-	-	(459,445)
Increase in accounts payable and other liabilities	268,715	1,328,881	784,672	163,911	-	2,546,179
Increase in unearned revenue	-	-	6	172,301	-	172,307
Increase in unpaid claims and adjustments	565,336	14,107,760	1,146,744	385,799	163,715	16,369,354
Increase (Decrease) in risk management deposit fund and OPEB	(1,322,169)	(1,021,768)	866	-	-	(2,343,071)
Increase in net pension liability	219,855	66,164	104,199	-	-	390,218
Decrease in deferred inflows of resources	(142,538)	(42,897)	(67,556)	-	-	(252,991)
Net Cash Provided by (Used in) Operating Activities	$ (6,698,877)	$ 14,974,952	$ 11,919,728	$ 194,204	$ -	$ 20,390,007
NONCASH INVESTING ACTIVITIES						
Net decrease in fair value of investments	$ (2,282,679)	$ (1,874,358)	$ -	$ (14,418)	$ -	$ (4,171,455)

See accompanying note to supplementary information

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Combining - Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

The Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, and Combining Statement of Cash Flows are included to provide information regarding the programs that have been included in the insurance funds column on the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

INDEPENDENT AUDITOR'S REPORT

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and subsidiaries (the Agency) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise ASCIP's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2017