

# FINANCIAL STATEMENTS

California Joint Powers Insurance Authority

Fiscal Years Ended June 30, 2019 and 2018



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**James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
California Joint Powers Insurance Authority  
La Palma, California

### **Report on the Financial Statements**

We have audited the accompanying Statement of Net Position of California Joint Powers Insurance Authority (the Authority) as of June 30, 2019 and 2018 and the aggregate remaining fund information and the related Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Joint Powers Insurance Authority as of June 30, 2019 and 2018 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

### **Other Matters**

#### *Required Supplementary Information*

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

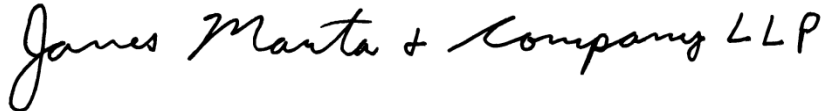
#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financials statements of the Authority. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as listed in the table of contents is fairly stated in all material respects in relation to the 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 March 2, 2020 on our consideration of California Joint Powers Insurance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Joint Powers Insurance Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 2, 2020



# **Management's Discussion and Analysis**

# 2019 *by the* NUMBERS

**\$101.7M**  
in Member Contributions

**2,158**  
New Liability Claims Handled

**\$347K**  
Invested in ADA  
Compliance Assistance

**19,462**  
Training  
Participants

**1,189**  
New Workers'  
Compensation Claims

**154**  
Litigated Liability  
Claims Defended

**\$58.3M**  
in Claim Payments Made

**\$182.6K**  
Employment  
Practices  
Support

## Management's Discussion and Analysis

As management of the California Joint Powers Insurance Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2019. This report is provided in order to enhance the information in the financial statements, and should be reviewed in concert with them, as well as the accompanying notes and supplementary information.

### Background and Governance

The Authority was created in 1977 under a joint exercise of powers agreement in accordance with the California Government Code Section 6500, et seq. As of June 30, 2019 the Authority consisted of 116 member agencies. The Authority was created to provide programs to protect its members, their officers, employees, and property against unavoidable losses through pooling of losses, self-insurance, and purchasing insurance. The Authority is governed by a Board of Directors composed of one member of the governing body of each member agency, and by an Executive Committee of the Board of Directors.

### Consolidated Financial Highlights, Fiscal Year 2019

- Member contribution revenue increased +4.1% to \$101.7 million
- Claim payments increased 7.5% to \$58.3 million
- Claims payable increased 1.5% to \$192.6 million
- Excess and reinsurance premiums decreased -5.4% to \$15.4 million
- Total operating expenses increased 7.0% to \$94.7 million
- Investment income was \$7.1 million
- Net increase in investment fair values was \$9.3 million (unrealized)
- Overall net position increased +12.7% to \$118.4 million

### Program Highlights

During 2019 the Primary Liability Program's net position increased by \$2.8 million or +4.2%. This was mainly due to a decrease in claim payments and a decrease in excess and reinsurance premiums. Claim payments of \$28.9 million were up 0.8% relative to 2018. The change in claim reserves was \$223,000. Excess and reinsurance premiums of \$3.2 million were down -44.3%, which was a reduction of \$2.5 million. The reason for the decrease was due to an increase in the Authority's pooled retention to \$5 million per occurrence.

The net position of the Primary Workers' Compensation Program increased by \$8.1 million or +26.4%. Claim payments were up by +2.9%, totaling \$24.3 million. The change in claim reserves totaled \$1.4 million. Excess and reinsurance premiums remained flat. Medical benefits paid in 2018 totaled \$11.2 million and indemnity benefits totaled \$9.2 million.

Member participation in the Early Return to Work Program during 2019 resulted in savings of \$3.8 million in temporary disability and LC4850 benefits from 25,548 workdays that were recaptured under the program. For financial reporting purposes the California state assessment, which was paid to the Department of Industrial Relations, Office of Self-Insurance Plans is rolled up with the cost of third-party claims administration. The state assessment was \$704,021 in 2018 and \$688,859 in 2019. The decrease was -2.2%.



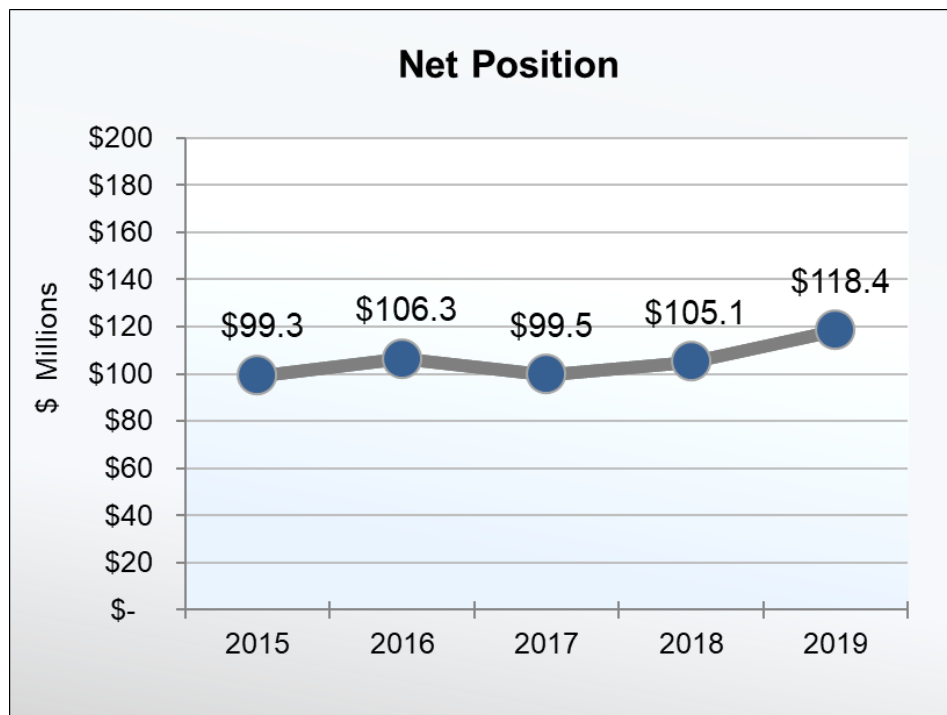
Insurance programs include the All-Risk Property Program, Pollution Legal Liability Program and Underground Storage Tank Financial Assurance. The net position of insurance programs decreased in 2018 by \$458,525 to \$5.58 million. Member contributions increased +21% to \$14.8 million but was off-set by operating expenses totaling \$15.7 million. Investment income was \$68,978.

The Excess Liability Program was established July 1, 2016 with three participating member agencies. The program has grown to include six participating member agencies. This program was introduced to offer current members an opportunity for greater flexibility under an alternative risk financing structure and to facilitate growth in membership from outside agencies that are accustomed to having large retentions and settlement authority within their layer. Based on payroll, the Excess Liability Program represented 19% of the Authority's total liability exposure. Current participants have retentions of either \$250,000, \$500,000 or \$750,000 per occurrence. \$4.6 million in contributions were collected and according to the actuary, the net discounted claim liability at fiscal year-end was estimated to be \$2.5 million. After operating expenses (primarily claim reserve changes and reinsurance premiums) the program ended the year with a net position of \$3.7 million.

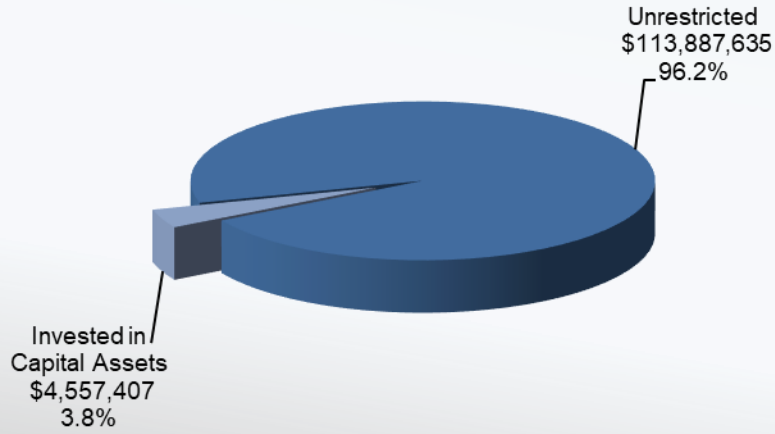
The Excess Workers' Compensation Program was established August 1, 2017. Two participating members contributed \$1.2 million for coverage. The net discounted claim liability at fiscal year-end was estimated to be \$412,000. After accounting for operating expenses, the program ended the year with a net position of \$991,776.

The Agency Fund accounts for assets and liabilities of the Central Coast Cities Self Insurance Fund for Workers' Compensation, which was established for tail claims occurring before July 1, 2004. Agency funds are included in this report on the Statement of Fiduciary Assets and Liabilities and in footnote 9.

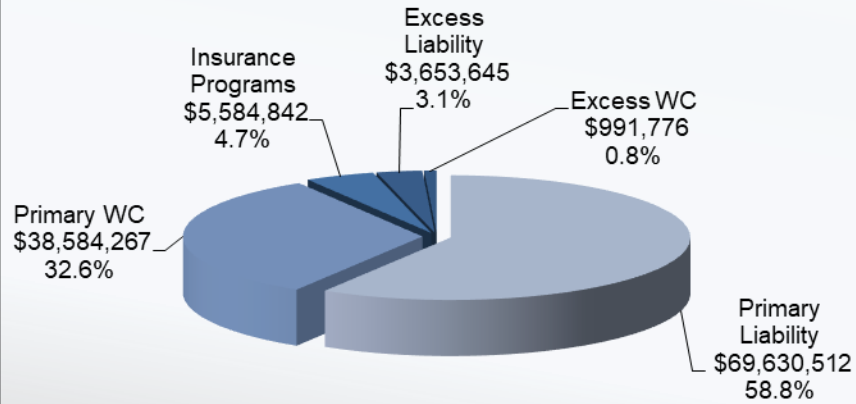
### Graphical Highlights



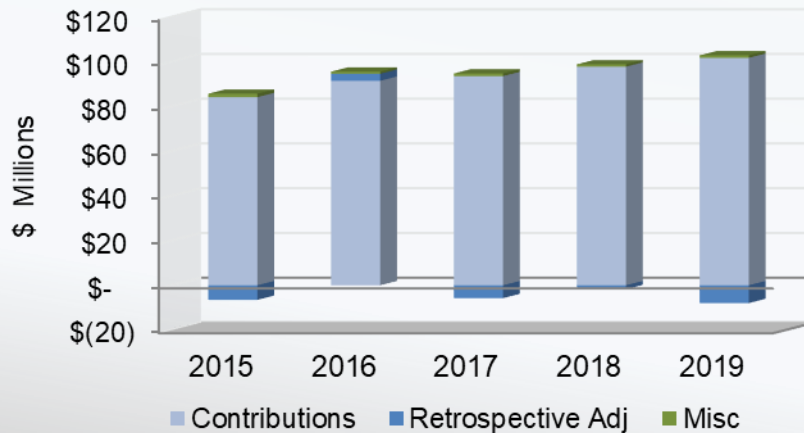
### Net Position by Type at June 30, 2019

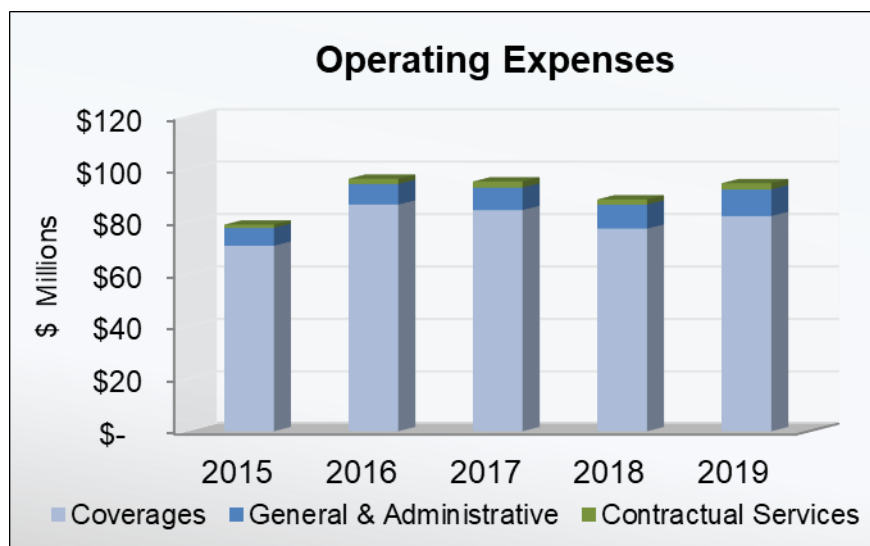


### Net Position by Fund at June 30, 2019



### Operating Revenues

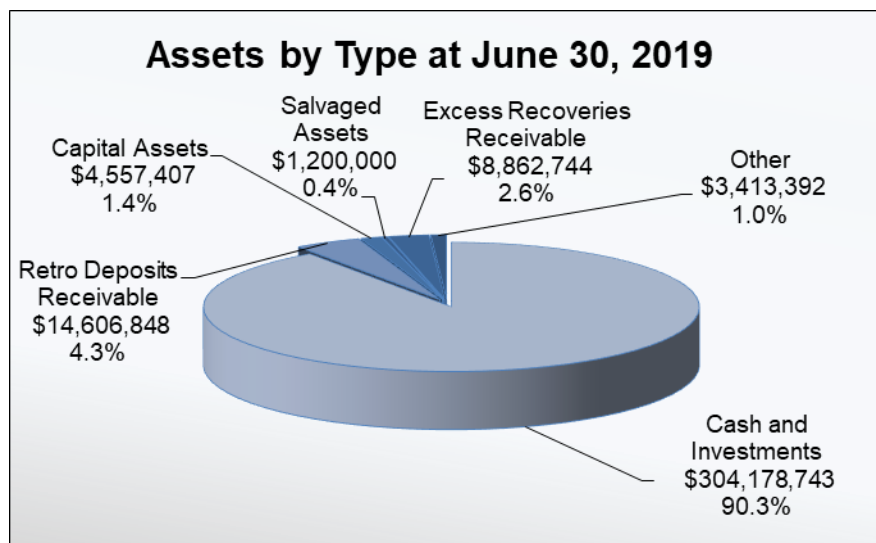




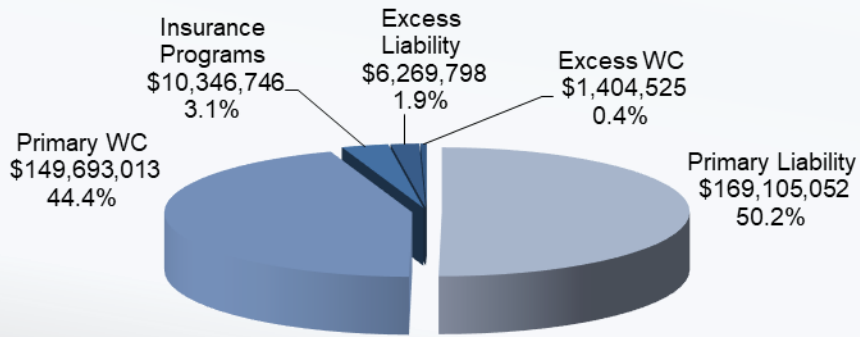
Total operating expenses were \$94.7 million in 2019, which was a +7.0% increase from the prior year. Claim payments were the most significant expense. On the Statement of Revenues, Expenses, and Changes in Net Position, incurred claims expenses include net claim payments as well as the change in claim reserves as determined by an independent actuary. Operating expenses are divided into the following categories: (1) coverages, (2) general and administrative, and (3) contractual services.

In 2019 the Authority paid \$15.4 million in excess and reinsurance premiums for all programs. On a consolidated basis, total coverage expenses were \$82.1 million. This includes claim payments, changes in claim reserves, claims administration fees, excess and reinsurance premiums, and broker fees.

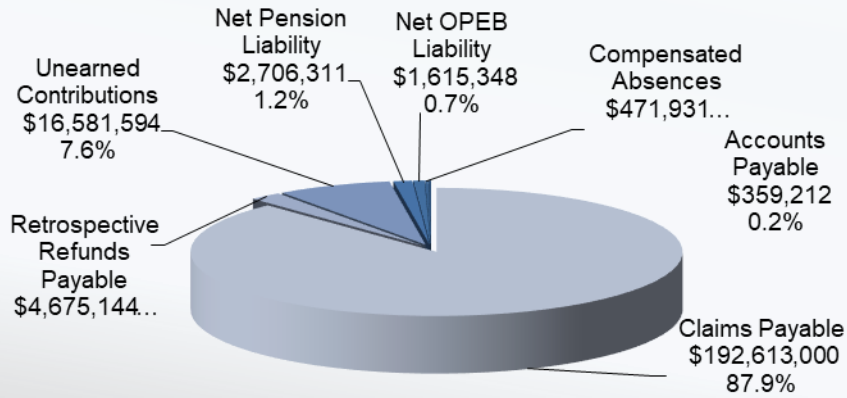
Total assets as of June 30, 2019 were \$336.8 million. Cash and investments made up 90.2% of the assets, while retrospective deposits receivable from members made up 4.3%. Footnote 5 provides more detailed information regarding retrospective deposit balances.



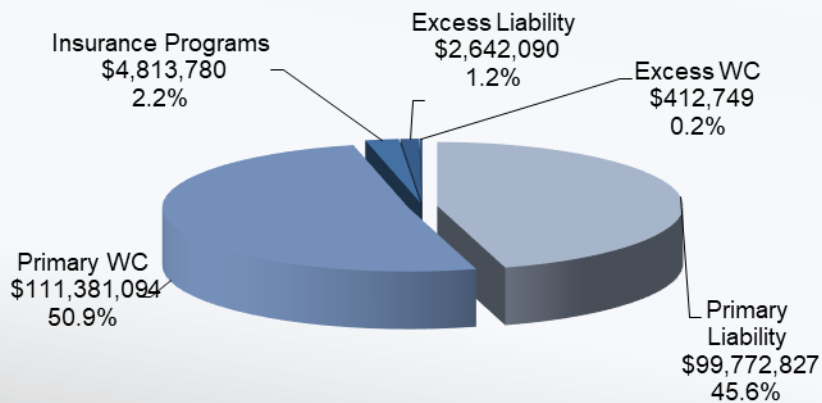
### Assets by Fund at June 30, 2019



### Liabilities by Type at June 30, 2019



### Liabilities by Fund at June 30, 2019



## Accreditation

The Authority is Accredited with Excellence by the California Association of Joint Powers Authorities and has been nationally recognized by the Association of Governmental Risk Pools for advisory standards compliance. These two levels of pooling industry recognition were granted after a detailed evaluation of the Authority's operations, a review of policies and other documentation, issuance of a report, committee review, and Board acceptance on the part of each conferring organization.

## Net Position Designations

Net investment in capital assets is the designation for fixed assets including land, buildings, office equipment, and software qualified under GASB 51 guidelines. Items subject to depreciation are reported net of depreciation on the Statement of Net Position. Unrestricted is the designation for the liability of incurred claims in excess of the expected probability level. Unrestricted net position may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

### Summary of the Statement of Net Position June 30, 2019, 2018, and 2017

	2019	2018	2017	Increase / (Decrease) From 2018 to 2019	
				\$	%
<b>Assets</b>					
Current Assets	\$ 70,445,092	\$ 54,043,609	\$ 68,196,304	\$ 16,401,483	30.3%
Non-Current Assets, excluding capital assets	261,816,635	265,277,269	240,282,924	(3,460,634)	-1.3%
Capital Assets	4,557,407	6,401,105	7,368,550	(1,843,698)	-28.8%
Total Assets	<u>336,819,134</u>	<u>325,721,983</u>	<u>315,847,778</u>	<u>11,097,151</u>	<u>3.4%</u>
Deferred Outflows of Resources	1,183,866	1,448,382	1,488,563	(264,516)	-18.3%
<b>Liabilities</b>					
Current Liabilities	79,067,881	82,530,471	78,581,503	(3,462,590)	-4.2%
Non-Current Liabilities	139,954,659	139,153,300	138,251,722	801,359	0.6%
Total Liabilities	<u>219,022,540</u>	<u>221,683,771</u>	<u>216,833,225</u>	<u>(2,661,231)</u>	<u>-1.2%</u>
Deferred Inflows of Resources	535,418	425,094	963,411	110,324	26.0%
<b>Net Position</b>					
Net Investment in Capital Assets	4,557,407	6,401,105	7,368,550	(1,843,698)	-28.8%
Unrestricted	113,887,635	98,660,395	92,171,155	15,227,240	15.4%
Total Net Position	<u>\$ 118,445,042</u>	<u>\$ 105,061,500</u>	<u>\$ 99,539,705</u>	<u>\$ 13,383,542</u>	<u>12.7%</u>

**Summary of the Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years ended June 30, 2019, 2018, and 2017**

	2019	2018	2017	Increase / (Decrease) From 2018 to 2019	
				\$	%
<b>Operating Revenues</b>					
Contributions	\$ 101,661,397	\$ 97,699,484	\$ 93,484,910	\$ 3,961,913	4.1%
Retrospective adjustments, net	(7,945,196)	(1,729,174)	(5,722,778)	(6,216,022)	359.5%
Miscellaneous	1,100,384	1,037,637	1,189,888	62,747	6.0%
<b>Total Operating Revenues</b>	<b>94,816,585</b>	<b>97,007,947</b>	<b>88,952,020</b>	<b>(2,191,362)</b>	<b>-2.3%</b>
<b>Operating Expenses</b>					
Coverages	82,149,204	77,316,695	84,415,495	4,832,509	6.3%
Contractual services	2,362,915	1,988,817	2,359,886	374,098	18.8%
General and administrative	10,163,454	9,176,600	8,545,288	986,854	10.8%
<b>Total Operating Expenses</b>	<b>94,675,573</b>	<b>88,482,112</b>	<b>95,320,669</b>	<b>6,193,461</b>	<b>7.0%</b>
<b>Operating Income (Loss)</b>	<b>141,012</b>	<b>8,525,835</b>	<b>(6,368,649)</b>	<b>(8,384,823)</b>	<b>-98.3%</b>
<b>Non-Operating Revenues</b>					
Gain (loss) on disposal of fixed assets	(3,128,687)	(975,915)	-	(2,152,772)	
Investment income	7,082,930	6,265,040	4,110,251	817,890	13.1%
Net increase / (decrease) in investment fair values	9,288,287	(7,088,365)	(4,452,600)	16,376,652	-231.0%
<b>Total Non-Operating Revenues</b>	<b>13,242,530</b>	<b>(1,799,240)</b>	<b>(342,349)</b>	<b>15,041,770</b>	<b>-836.0%</b>
<b>Change in Net Position</b>	<b>13,383,542</b>	<b>6,726,595</b>	<b>(6,710,998)</b>	<b>6,656,947</b>	<b>99.0%</b>
Beginning Net Position as Originally Stated	105,061,500	99,539,705	106,250,703	5,521,795	5.5%
Prior Period Adjustment	-	(1,204,800)	-	1,204,800	
Beginning Net Position as Restated	105,061,500	98,334,905	106,250,703	6,726,595	6.8%
<b>Ending Net Position</b>	<b>\$ 118,445,042</b>	<b>\$ 105,061,500</b>	<b>\$ 99,539,705</b>	<b>\$ 13,383,542</b>	<b>12.7%</b>

## **Description of the Basic Financial Statements**

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, using the accrual basis of accounting, which necessarily include amounts based upon reliable estimates and judgments. The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The Basic Financial Statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Statement of Fiduciary Assets and Liabilities, are included along with Notes to the Basic Financial Statements and Supplementary Information to clarify unique accounting policies and financial information. Both the Notes to the Basic Financial Statements and the Supplementary Information are essential to a comprehensive understanding of this report.

### Statement of Net Position

The Statement of Net Position presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as the net position. Over time, increases or decreases in net position may serve as a useful indicator of the pool's financial condition.

### Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing revenues versus expenses during the fiscal year, and the resulting effect on the net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Some revenues and expenses are reported in this statement with related cash flows that will take place in future fiscal periods.

### Statement of Cash Flows

The Statement of Cash Flows presents information showing how the Authority's cash was provided and how it was used. The statement distinguishes between cash flows from: operating activities, capital and related financing activities, and investing activities. The statement also reconciles the operating income to net cash provided by operating activities during the fiscal year.

### Statement of Fiduciary Assets and Liabilities

The Statement of Fiduciary Assets and Liabilities presents information on all the assets and liabilities of the Authority's agency funds. Agency funds are used to account for situations where the Authority's role is purely custodial. All assets reported in agency funds are offset by a liability, accordingly there is no net position reported for agency funds.

## **Financial Management and Control**

Authority management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, and misuse, and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with accounting principles generally accepted in the United States. The Authority's Finance Division consists of a Chief Financial Officer, a Financial Analyst, a Senior Accountant, and an Accounting Specialist who are responsible for the primary functions of accounting for the Authority. The Treasurer and the Chief Executive Officer provide oversight.

## **Member Services, Training, Loss Prevention and Risk Management**

The Authority provides a comprehensive range of member services, programs, and resources specifically designed to assist the staff and governing bodies of municipal organizations with highly relevant training and customized risk management analysis for loss prevention and loss mitigation.

Current training offerings includes academies, workshops, and web-based courses. Academies are multi-day training opportunities that focus on a particular public sector discipline such as Public Works, Parks and Recreation, Newly Elected Officials, Management, Leadership, Human Resources, and the Executive Academy. The Academies present essential theories and techniques and provide practical risk management solutions to public agency staff, executive management, and elected officials. Workshops generally offer single-day classroom trainings with an emphasis on meeting Cal-OSHA requirements and instruction on best risk management practices covering a wide variety of salient topics and emerging risks.

The Loss Control Action Plan (LossCAP) is another valuable tool that assists members in reducing their long-term cost of risk. LossCAP is a customized risk management action plan developed in collaboration with each agency's staff. It is based on an analysis of historical claims and their root causes, as well as information obtained from physical on-site inspections. LossCAP identifies the most critical loss exposures unique to each member and maps out strategies to assist them in effectively addressing those exposures.

Another loss prevention initiative underway is the Americans with Disabilities Act (ADA) Compliance Assistance Program. The Authority provides funding assistance for ADA compliance services, including inspection of member facilities and public rights-of-way; development of transition and barrier removal plans; review of policies, procedures and practices; and use of accessibility management software. Some members are not able to fund the necessary improvements because of continuing budgetary constraints, which is why the Authority has made a limited amount of capital improvement matching funds available to help incentivize members to begin these necessary projects. Through 2018, thirty-eight members have participated in this program since its inception.

Lastly, individualized risk management consulting is perhaps the most critical support service provided by the Authority to its members. There are five regionally based Risk Managers who live and work close to the members that they serve. Regional Risk Managers are local, and readily available to offer consulting services and technical support. Proactively helping members to prevent losses, and working to mitigate losses when they do occur, are important aspects of the Authority's long-term strategy to minimize the cost of risk.

Most members consider the Authority's Risk Managers to be a valuable extension of their own staff. Some examples of the kind of assistance they offer are: contract analysis for proper indemnification language, local safety committee meeting participation, City Council meeting attendance upon request, risk exposure evaluations, claim reviews including litigation strategy discussions, Loss Control Action Plan implementation, training needs assessment, and liaison for access to Authority programs and services.



# Basic Financial Statements

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Statement of Net Position**

**June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Current Assets:		
Cash and equivalents	\$ 31,670,161	\$ 18,994,301
Short-term investments	21,305,528	17,732,540
Interest receivable	1,829,431	1,538,433
Retrospective deposits receivable	5,215,218	5,215,218
Accounts receivable	756,341	4,190,366
Excess recoveries in progress	8,862,744	5,254,542
Prepaid expenses	805,669	1,118,209
Total Current Assets	<u>70,445,092</u>	<u>54,043,609</u>
Non-Current Assets:		
Long-term investments	251,203,054	242,836,581
Retrospective deposits receivable, net	9,391,630	19,562,863
Salvaged assets	1,200,000	2,850,000
Capital assets, not being depreciated	2,222,513	2,038,282
Capital assets, net of depreciation	2,334,894	4,362,823
Net Pension Assets	21,951	27,825
Total Non-Current Assets	<u>266,374,042</u>	<u>271,678,374</u>
Total Assets	<u>336,819,134</u>	<u>325,721,983</u>
Deferred Outflows of Resources	1,183,866	1,448,382
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	359,212	600,013
Compensated absences	471,931	449,141
Unearned contributions	16,581,594	16,383,172
Retrospective refunds payable	4,675,144	10,188,145
Claims payable, short-term	56,980,000	54,910,000
Total Current Liabilities	<u>79,067,881</u>	<u>82,530,471</u>
Non-Current Liabilities:		
Claims payable, long-term	135,633,000	134,837,000
Net pension liability	2,706,311	3,110,524
Net OPEB liability	1,615,348	1,205,776
Total Non-Current Liabilities:	<u>139,954,659</u>	<u>139,153,300</u>
Total Liabilities	<u>219,022,540</u>	<u>221,683,771</u>
Deferred Inflows of Resources	535,418	425,094
<b>Net Position</b>		
Net investment in capital assets	4,557,407	6,401,105
Unrestricted	113,887,635	98,660,395
Total Net Position	<u><b>\$ 118,445,042</b></u>	<u><b>\$ 105,061,500</b></u>

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

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Operating Revenues</b>		
Contributions	\$ 101,661,397	\$ 97,699,484
Retrospective adjustments, net	(7,945,196)	(1,729,174)
Miscellaneous income	1,100,384	1,037,637
<b>Total Operating Revenues</b>	<b>94,816,585</b>	<b>97,007,947</b>
<b>Operating Expenses</b>		
Coverages:		
Incurred claims expenses	61,196,130	55,393,421
Claims administration	5,541,825	5,640,061
Excess and re-insurance premiums	15,411,249	16,283,213
Contractual Services:		
Legal services	140,426	116,286
Investment and bank services	242,851	240,863
Information technology support	319,439	510,668
Risk management evaluations	27,661	27,849
Loss control services	621,797	405,647
Audit and actuarial services	133,331	173,265
Employment law resource	182,626	156,914
Other contractual services	694,784	357,325
General and Administrative:		
Salaries and employee benefits	5,926,883	5,060,576
Office expenses	266,106	404,966
Member training and meetings	2,404,997	1,817,420
Risk management educational forum	464,383	378,828
Depreciation	570,241	862,751
Utilities and Miscellaneous expenses	530,844	652,059
<b>Total Operating Expenses</b>	<b>94,675,573</b>	<b>88,482,112</b>
<b>Operating Income (Loss)</b>	<b>141,012</b>	<b>8,525,835</b>
<b>Non-Operating Revenues</b>		
Gain (loss) on disposal of assets	(3,128,687)	(975,915)
Investment income	7,082,930	6,265,040
Net increase (decrease) in investment fair values	9,288,287	(7,088,365)
<b>Total Non-Operating Revenues</b>	<b>13,242,530</b>	<b>(1,799,240)</b>
<b>Change in Net Position</b>	<b>13,383,542</b>	<b>6,726,595</b>
<b>Beginning Net Position</b>	<b>105,061,500</b>	<b>99,539,705</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>( 1,204,800 )</b>
<b>Beginning Net Position as Restated</b>	<b>105,061,500</b>	<b>98,334,905</b>
<b>Ending Net Position</b>	<b>\$ 118,445,042</b>	<b>\$ 105,061,500</b>

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

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Cash received from members	\$101,242,138	\$ 92,232,545
Cash received for retrospective adjustments	(3,286,964)	4,419,604
Cash received from other miscellaneous activities	1,100,384	1,037,635
Cash paid for other miscellaneous activities	(588,176)	(529,743)
Cash paid for claims and claims administration	(61,801,626)	(59,926,656)
Cash paid for insurance	(14,733,467)	(15,609,535)
Cash paid to suppliers for goods and services	(6,066,859)	(6,638,319)
Cash paid to employees for services	(5,518,022)	(5,115,264)
Net Cash Flows Provided (Used) by Operating Activities	10,347,408	9,870,267
<b>Cash Flows From Capital &amp; Related Financing Activities</b>		
Cash paid for acquisition of capital assets	(1,855,230)	(871,230)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(1,855,230)	(871,230)
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(245,024,146)	(185,201,299)
Proceeds from sales and maturities of investments	242,372,974	169,080,465
Investment earnings received	6,834,854	6,027,086
Net Cash Flows Provided (Used) by Investing Activities	4,183,682	(10,093,748)
Net Increase (Decrease) in Cash	12,675,860	(1,094,711)
Beginning Cash and Equivalents	18,994,301	20,089,012
Ending Cash and Equivalents	\$ 31,670,161	\$ 18,994,301
<b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b>		
Operating Income (Loss)	\$ 141,012	\$ 8,525,835
Adjustments to Reconcile Operating Income to Cash Provided by Operations:		
Depreciation Included in Operating Activities	570,241	862,751
(Increase) Decrease in:		
Accounts receivable	(174,177)	(5,287,697)
Retrospective deposits receivable	10,171,233	3,535,840
Prepaid expenses	269,616	(910,050)
Other Assets	1,650,000	-
Net pension assets	5,874	(4,033)
Deferred outflows of resources	264,516	40,181
Increase (Decrease) in:		
Accounts payable	(240,801)	(365,419)
Accrued compensated absences	22,789	70,702
Unearned contributions	198,422	(179,242)
Retrospective refunds payable	(5,513,001)	2,612,938
Net pension liability	410,547	375,802
Net OPEB liability	2,866,000	976
Deferred inflows of resources	(405,187)	(538,317)
Claims liabilities	110,324	1,130,000
Net Cash Provided by Operating Activities	\$ 10,347,408	\$ 9,870,267
<b>Supplemental Information: Noncash Investing Activities</b>		
Net Increase (Decrease) in Fair Market Value	\$ 9,288,287	\$ (7,088,365)

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

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Statement of Fiduciary Assets and Liabilities**  
**For the Fiscal Years Ended June 30, 2019 and 2018**  
**Central Coast Cities Self Insurance Fund**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and investments	\$ 2,544,235	\$ 2,778,803
Interest receivable	16,428	13,585
Accounts receivable	130,701	104,793
Total Assets	<u>2,691,364</u>	<u>2,897,181</u>
<b>Liabilities</b>		
Other deposits payable	<u>2,691,364</u>	<u>2,897,181</u>
Total Liabilities	<u><u>\$ 2,691,364</u></u>	<u><u>\$ 2,897,181</u></u>

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

## CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

### Notes to the Basic Financial Statements

Year Ended June 30, 2019

#### (1) Summary of Significant Accounting Policies

##### (a) **Program Participation**

All members must participate in either the Primary Liability Program or the Excess Liability Program, other coverage programs offered by the Authority are optional. Under the Joint Powers Agreement (articles 22-28), members may withdraw from individual programs or from general membership after three years of participation, however, members remain financially responsible for ongoing costs associated with self-insured programs in perpetuity.

##### (b) **Measurement Focus**

The accounts of the Authority are organized based on funds, which are considered separate accounting entities. The operation of the various funds includes a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The Authority's resources are allocated and accounted for based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. Therefore, the Authority accounts for its core programs as separate funds in accordance with and as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 10. In addition, management has determined and elected that all funds of the Authority are classified under one of the following:

*Primary Liability Fund* – The Primary Liability Fund accounts for all the revenues and expenses related to the risk-sharing Primary Liability Protection Program. This fund was formerly referred to as the Liability Program or simply Liability. The name was changed in 2017 to distinguish it from the Excess Liability Fund.

*Primary Workers' Compensation Fund* – The Primary Workers' Compensation Fund accounts for all the revenues and expenses related to the risk-sharing Primary Workers' Compensation Program. This fund was formerly referred to as the Workers' Compensation Program or simply Workers' Compensation. The name was changed in 2017 to distinguish it from the Excess Workers' Compensation Fund which began August 1, 2017 and will be included in the financial statements of subsequent years.

*Insurance Programs Fund* – The Insurance Programs Fund accounts for all the revenues and expenses related to the purchased insurance (non-risk sharing) activities for all-risk property protection program and the pollution legal liability program.

*Excess Liability Fund* – The Excess Liability Fund accounts for all the revenues and expenses related to the risk-sharing Excess Liability Protection Program which began July 1, 2016.

*Excess Workers' Compensation Fund* – The Excess Workers' Compensation Fund accounts for all the revenues and expenses related to the risk-sharing Excess Workers' Compensation Protection Program which began August 1, 2017.

## CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

### Notes to the Basic Financial Statements

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

Proprietary funds are accounted for using the flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their Statement of Net Position. Their reported fund equity (total Net Position) is segregated into restricted (invested in capital assets) and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total Net Position.

Agency Funds – These funds are used to account for financial activity related to circumstances in which the Authority is acting as a trustee or custodian. The Authority accounts for all assets and liabilities related to the Central Coast Cities Self Insurance Fund for Workers' Compensation (CCCSIF-WC) as agency funds, which are disclosed in further detail in Note 9 to the basic financial statements.

#### (c) **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Proprietary funds are accounted for using the accrual basis of accounting as prescribed by the Governmental Accounting Standards Board (GASB). Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

#### (d) **Investments**

Investments are reported in the accompanying Statement of Net Position at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year and any gains or losses realized upon the liquidation, maturity, or sale of investments are recognized as *net increase (decrease) in investment fair values* reported for that fiscal year. *Investment income* consists primarily of interest earnings on investments held by the Authority. The Authority maintains one investment portfolio and as a result, pools cash and investments of all the Authority's programs (funds). Each fund's share in this pool is displayed in the accompanying statement of Net Position as *cash and investments*. Investment income earned by the pooled investments and current year's net increase (decrease) in investment fair values is allocated to each program based upon each program's average investment balance.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

**(e) Statement of Cash Flows**

For purposes of presentation in the statement of cash flows, the Authority considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they represent insignificant risk of changes in value because of changes in interest rates. The Authority follows the practice of pooling cash and investments of all programs (funds) and each program's cash and investments represent amounts that can be withdrawn at any time and therefore, are cash and cash equivalents for purposes of the statement of cash flows.

**(f) Capital Assets**

Capital assets in excess of \$5,000 individually that are acquired by the Authority are valued at historical cost or estimated historical cost (if historical cost is not available) or estimated fair value on the date donated (if the assets are donated). Capital assets are depreciated using the straight-line methodology over the asset's estimated useful life as follows:

Building and improvements	30 years
Furniture and equipment	5 years
Software	5 years

**(g) Claims Payable**

The Authority establishes claims payable based on actuarial estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Claims payable are reported at the discounted present value of estimated future cash payments. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims payable does not necessarily result in an exact amount. Claims payable are recomputed annually by an actuary to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. Inflation is implicit in the calculation because reliance is based on historical data that reflects past inflation and other modifiers considered appropriate. Adjustments to claims payable for changes in estimates are charged to expense in the period in which the changes in the estimates were determined.

**(h) Confidence Level Used by the Authority**

The liability for claims payable must be measured in terms of a *probability level* because the actual development and outcome of claims (and of losses incurred but not reported as claims) cannot be known with absolute certainty. Probability level measures the degree of certainty in estimating the liability for claims payable. The Authority reports its liability for claims payable at the expected probability level. The Unrestricted Net Position is designated for losses that might exceed the expected probability level.

**(i) Unearned Contributions**

Revenues are recognized when earned. Unearned contributions represent remaining amounts, which are billed periodically to each member, received by the Authority and then amortized over the related coverage period.



**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

**(j) Use of Estimates**

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

**(k) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

**(l) Change in Accounting Policy**

Historically, the Authority's annual retrospective deposit computation was conducted in October and back-posted to June 30<sup>th</sup> in order to align financial reporting with the valuation date of the underlying claims data. Beginning with the 2018-19 fiscal year the accounting policy was changed and the annual retrospective computation is no longer back-posted, but rather it is posted to the accounting period in which the calculation occurs. Under the new policy, the October 2019 retrospective computation will be posted to the 2019-20 fiscal year. The October 2019 retrospective computation has also been excluded from the retrospective deposit balances stated in Note 5 to the financial statements.

**(m) Pensions**

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

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

**(2) Cash and Investments**

Cash and investments are classified in the accompanying financial statements as indicated below.

<b>Cash and Investments</b>		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Proprietary funds:		
Cash and equivalents	\$ 31,670,161	\$ 18,994,301
Short-term investments	21,305,528	17,732,540
Long-term investments	<u>251,203,054</u>	<u>242,836,581</u>
Subtotal	<u>304,178,743</u>	<u>279,563,422</u>
Fiduciary funds:		
Cash and equivalents	\$ 2,544,235	\$ 2,778,803
Short-term investments	-	-
Long-term investments	<u>-</u>	<u>-</u>
Subtotal	<u>2,544,235</u>	<u>2,778,803</u>
<b>Total</b>	<u><u>\$ 306,722,978</u></u>	<u><u>\$ 282,342,225</u></u>
Consolidated:		
Cash and equivalents	\$ 34,214,396	\$ 21,773,104
Short-term investments	21,305,528	17,732,540
Long-term investments	<u>251,203,054</u>	<u>242,836,581</u>
Total cash and investments	<u><u>\$ 306,722,978</u></u>	<u><u>\$ 282,342,225</u></u>

The following table identifies the investment types that are authorized by the California Government Code and the Authority's investment policy. The table also identifies certain general provisions of the Authority's investment policy, which address interest rate risk and concentration of credit risk.

In addition to the investment types noted in the table, the Authority's investment policy authorizes the following investment types: (a) FDIC-Guaranteed Obligations, and (b) Demand Deposits, Passbook Savings Accounts and Non-negotiable Certificates of Deposits.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

Investment Types Authorized by State Law	Authorized by Investment Policy	General Provisions of Investment Policy		
		Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Asset-Backed Securities	Yes	5 years	10%	2.5%
Banker's Acceptances	Yes	180 days	40%	2.5%
Commercial Paper	Yes	270 days	25%	2.5%
County Pooled Investment Funds	Yes	n/a	\$30 million	n/a
JPA Pools (other investment pools)	No	n/a	n/a	n/a
Local Agency Investment Fund (LAIF)	Yes	n/a	\$50 million	n/a
Medium-Term Notes	Yes	5 years	30%	2.5%
Money Market Mutual Funds	Yes	n/a	20%	none
Mortgage Pass-Through Securities	Yes	5 years	20%	none
Municipal Obligations	Yes	5 years	5%	2.5%
Mutual Funds	No	n/a	n/a	n/a
Negotiable Certificates of Deposit	Yes	5 years	30%	2.5%
Repurchase Agreements	Yes	30 days	none	none
Reverse Repurchase Agreements	No	n/a	n/a	n/a
Supranationals	Yes	5 years	10%	2.5%
U.S. Federal Agency Securities	Yes	10 years	none	none
U.S. Treasury Obligations	Yes	10 years	none	none

*Disclosures Relating to Interest Risk* - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

<b>Maturity Distribution of Investments</b>				
Investment Type	Fair Value	Maturity Distribution		
		< 1 year	1-3 years	> 3 years
U.S. Treasuries	\$ 97,055,639	\$ -	\$ 23,510,676	\$ 73,544,963
Federal Agencies	51,767,934	-	11,272,624	40,495,310
Supranational	5,583,619	-	5,583,619	
Certificates of Deposit	39,495,219	18,054,862	21,440,357	-
Corporate Notes	54,389,166	3,250,666	35,468,867	15,669,633
Commercial Paper	-	-	-	-
Asset-Backed Securities	24,217,005	-	10,097,168	14,119,837
<b>Total</b>	<b>\$ 272,508,582</b>	<b>\$ 21,305,528</b>	<b>\$ 107,373,311</b>	<b>\$ 143,829,743</b>

The Authority's investment holdings periodically include some investments with fair market values that are highly sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above. These securities are callable. As of June 30, 2018, 5.2% of the Authority's portfolio was held in callable securities. The Authority's investment policy states that no more than 30% of the portfolio may be invested in callable securities.

*Disclosures Relating to Credit Risk* – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are Standard & Poor's ratings of the securities held in the Authority's portfolio by investment type, at the end of the current fiscal year.

<b>Standard &amp; Poor's Ratings as of June 30, 2019</b>						
Investment Type	Total	AAA	AA	A	BBB+	NR*
U.S. Treasuries	\$ 97,055,639	\$ -	\$ 97,055,639	\$ -	\$ -	\$ -
Federal Agencies	51,767,934	-	51,767,934	-	-	-
Supranational	5,583,619	5,583,619	-	-	-	-
Certificates of Deposit	39,495,219	-	5,723,079	33,772,140	-	-
Corporate Notes	54,389,166	-	9,060,593	39,737,698	5,590,875	-
Commercial Paper	-	-	-	-	-	-
Asset-Backed Securities	24,217,005	19,256,044	-	-	-	4,960,961
<b>Total</b>	<b>\$ 272,508,582</b>	<b>\$ 24,839,663</b>	<b>\$ 163,607,245</b>	<b>\$ 73,509,838</b>	<b>\$ 5,590,875</b>	<b>\$ 4,960,961</b>

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

*Concentration of Credit Risk* - The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total Authority investments are as follows:

<b>Concentration of Credit Risk</b>			
Issuer	Type	Fair Value	% of Portfolio
U.S. Treasury Notes	Federal Treasury	\$ 97,055,639	35.6%
Federal National Mortgage Association	Federal Agency	\$ 16,667,669	6.1%

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

*Investment in State Investment Pool* - The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, and other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. This fund has an average life of 232 days. The monies held in LAIF are not subject to categorization by risk category. LAIF is also not rated as to credit risk by a nationally recognized statistical rating organization.

*Fair Value Measurement and Application* - Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2019 are as shown below:

Description	Fair Value	Level 1	Level 2	Level 3	n/a
Total LAIF	\$ 7,141,128	\$ 5,049,948	\$ 1,710,990	\$ -	\$ 380,190
Total Debt Securities	272,508,582	196,688,122	75,820,461	-	-

**(3) Capital Assets**

The following is a summary of the Authority's capital assets at fiscal year-end.

	Balance at June 30, 2018	Increase	Decrease	Balance at June 30, 2019
Capital assets, not being depreciated				
Land	\$ 2,031,395	\$ -	\$ -	\$ 2,031,395
Assets under development	6,887	205,230	20,999	191,118
Subtotal	<u>2,038,282</u>	<u>205,230</u>	<u>20,999</u>	<u>2,222,513</u>
Capital assets, being depreciated				
Building and improvements	6,285,416	-	-	6,285,416
Furniture and equipment	404,884	-	-	404,884
Software	2,094,011	20,999	1,879,195	235,815
Subtotal	<u>8,784,311</u>	<u>20,999</u>	<u>1,879,195</u>	<u>6,926,115</u>
Less accumulated depreciation				
Building and improvements	(3,850,166)	(220,970)	-	(4,071,136)
Furniture and equipment	(309,211)	(38,330)	-	(347,541)
Software	(262,111)	(310,941)	(400,508)	(172,544)
Subtotal	<u>(4,421,488)</u>	<u>(570,241)</u>	<u>(400,508)</u>	<u>(4,591,221)</u>
Total capital assets being depreciated, net	<u>4,362,823</u>	<u>(549,242)</u>	<u>1,478,687</u>	<u>2,334,894</u>
<b>Total capital assets, net</b>	<b><u>\$ 6,401,105</u></b>	<b><u>\$ (344,012)</u></b>	<b><u>\$ 1,499,686</u></b>	<b><u>\$ 4,557,407</u></b>

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

For the year ended June 30, 2019 depreciation expense was charged to various programs as follows:

Primary Liability	\$ 327,362
Primary WC	234,254
Excess Liability	<u>8,625</u>
Total Depreciation Expense	<u><u>\$ 570,241</u></u>

**(4) Claims Payable**

The Authority establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of losses, related claim adjustment expenses and unallocated loss adjustment expenses. Changes to claims payable for the fiscal years ended June 30, 2019 and 2018 are stated below.

	2019	2018
Claims payable, beginning of year	<u>\$ 189,747,000</u>	<u>\$ 188,617,000</u>
Incurred claims and claim adjustment expenses:		
Provision for covered events in the current year	66,159,169	56,464,768
Changes in provision for covered events of prior years	<u>(4,963,039)</u>	<u>(1,071,347)</u>
Total incurred claims and claim adjustment expenses	<u>61,196,130</u>	<u>55,393,421</u>
Payments:		
Attributable to covered events in the current year	11,154,780	7,137,002
Attributable to covered events in prior years	<u>47,175,350</u>	<u>47,126,419</u>
Total payments	<u>58,330,130</u>	<u>54,263,421</u>
Claims payable, end of year	<u>\$ 192,613,000</u>	<u>\$ 189,747,000</u>
Components of claims payable		
Current portion	\$ 56,980,000	\$ 54,910,000
Non-current portion	<u>135,633,000</u>	<u>134,837,000</u>
<b>Total claims payable</b>	<u><b>\$ 192,613,000</b></u>	<u><b>\$ 189,747,000</b></u>
Categories of claims payable		
Claim reserves	\$ 111,983,000	\$ 121,279,000
IBNR	70,327,000	58,543,000
ULAE	<u>10,303,000</u>	<u>9,925,000</u>
<b>Total claims payable</b>	<u><b>\$ 192,613,000</b></u>	<u><b>\$ 189,747,000</b></u>

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

The net liability for claims payable as of June 30, 2019 is stated at the expected probability level and includes a discount of 2.0% for anticipated future investment earnings. The impact of discounting is shown below.

	Primary Liability	Primary WC	Excess Liability	Excess WC	Total
Undiscounted claims payable	\$ 89,149,418	\$ 111,060,117	\$ 2,635,677	\$ 481,125	\$ 203,326,337
Discount Amount	<u>(3,307,418)</u>	<u>(7,159,117)</u>	<u>(177,677)</u>	<u>(69,125)</u>	<u>(10,713,337)</u>
Discounted claims payable	<u>\$ 85,842,000</u>	<u>\$ 103,901,000</u>	<u>\$ 2,458,000</u>	<u>\$ 412,000</u>	<u>\$ 192,613,000</u>

**(5) Retrospective Adjustments**

The accompanying Statement of Net Position reports retrospective deposit balances including all retrospective deposit activity through June 30, 2019. The table below shows this information by program. Non-current retrospective deposits receivable were marked down by \$8 million on June 30, 2019 due to the posting of an allowance for doubtful accounts.

	Primary Liability	Primary WC	Total
<b>Beginning Balances</b>			
Retrospective Deposits Receivable			
Current	\$ 3,889,662	\$ 1,325,556	\$ 5,215,218
Non-Current	<u>14,331,302</u>	<u>5,231,561</u>	<u>19,562,863</u>
Subtotal	<u>18,220,964</u>	<u>6,557,117</u>	<u>24,778,081</u>
Retrospective Refunds Payable			
Current	<u>(7,720,408)</u>	<u>(2,467,737)</u>	<u>(10,188,145)</u>
Overall Net Retrospective Balances	<u>10,500,556</u>	<u>4,089,380</u>	<u>14,589,936</u>
<b>Activity</b>			
Refunds Applied	5,757,467	2,006,821	7,764,288
Gross Deposits Received	(2,250,930)	(2,349,234)	(4,600,164)
Fees Received	109,959	67,685	177,644
Transfers (In)/Out	(34,912)	34,912	-
Annual Adjustment	-	-	-
Other Adjustments	<u>(7,945,196)</u>	-	<u>(7,945,196)</u>
Subtotal	<u>(4,363,612)</u>	<u>(239,816)</u>	<u>(4,603,428)</u>
<b>Ending Balances</b>			
Retrospective Deposits Receivable			
Current	3,889,662	1,325,556	5,215,218
Non-Current	<u>5,522,720</u>	<u>3,868,910</u>	<u>9,391,630</u>
Subtotal	<u>9,412,382</u>	<u>5,194,466</u>	<u>14,606,848</u>
Retrospective Refunds Payable			
Current	<u>(3,330,242)</u>	<u>(1,344,902)</u>	<u>(4,675,144)</u>
Overall Net Retrospective Balances	<u>\$ 6,082,140</u>	<u>\$ 3,849,564</u>	<u>\$ 9,931,704</u>
Change in Balances	(4,363,612)	(239,816)	(4,603,428)
	-41.6%	-5.9%	-31.6%



**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

**(6) Non-Risk Sharing Insurance Programs**

The Authority's All-Risk Property Program and Pollution Legal Liability Program are insured and underwritten by several commercial insurance companies. These programs do not involve the sharing of risk. Net claim payments reflect current year activity relative to all coverage periods incurred. The following table provides a summary of significant activity for non-risk sharing insurance programs as of June 30, 2019.

	All-Risk Property	Pollution Legal Liability	Underground Storage Tanks	Total
Revenues from members	\$ 14,738,631	\$ 450,695	\$ 23,209	\$ 15,212,535
Net investment earnings	68,978	-	-	68,978
Premiums paid to insurers	(9,883,902)	(404,134)	(18,709)	(10,306,745)
Broker fees paid	(350,000)	(50,000)	-	(400,000)
Net claim payments	(4,452,169)	-	-	(4,452,169)
Program admin expenses	(584,563)	3,439	-	(581,124)
Total non-risk sharing activity	\$ (463,025)	\$ -	\$ 4,500	\$ (458,525)

**(7) Defined Benefit Pension Plans**

The Authority participates in defined benefit pension plans through CalPERS and also has retirement enhancement plans administered through Public Agency Retirement Services (PARS). This footnote provides disclosures regarding the pension plans. The cost of living adjustments for each plan are applied as specified by Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalPERS Misc. Classic	CalPERS Misc. PEPRA
	Hired Before Jan 1, 2013	Hired on or After Jan 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.921%	6.533%

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

	<u>PARS REP EE</u>	<u>PARS REP EC</u>
	<u>Hired Before Jan 1, 2013</u>	<u>Plan Closed Dec 31, 2012</u>
Benefit formula	0.5% @ 55	see note*
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	55
Monthly benefits, as a % of eligible compensation	0.500%	n/a
Required employee contribution rates	0.000%	n/a
Required employer contribution rates	9.480%	fully funded

\*Note: PARS REP EC is a retirement enhancement plan that pays a fixed monthly benefit based on years of service; \$125 for 5 years, \$150 for 6 years, \$175 for 7 years, \$200 for 8 years, \$225 for 9 years, and \$250 for 10 years of service or more. PARS REP EC became a closed plan (no new participants) as of December 31,

**Contributions recognized as part of pension expense for the year ended June 30, 2019:**

	<u>CalPERS Miscellaneous Consolidated</u>	<u>PARS REP EE</u>	<u>PARS REP EC</u>
Employer Contributions	\$ 192,982	\$(225,410)	\$ 8,928

The following tables provide information related to the Authority's pension liabilities, pension expenses and deferred outflows and inflows of resources for pensions. As of June 30, 2019, the Authority reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability/(Asset)</u>
CalPERS Misc.	\$ 2,612,771
PARS REP EE	93,540
PARS REP EC	<u>(21,951)</u>
Total Net Pension Liability	<u>\$ 2,684,360</u>

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**

**Notes to the Basic Financial Statements**

The Authority's proportionate share of the net pension liability of the multi-employer plans (CalPERS) as of the measurement dates June 30, 2019 and 2018 were:

	<u>CalPERS Misc. Classic</u>	<u>PARS REP EE</u>	<u>PARS REP EC</u>
Proportion - June 30, 2018	0.06764%	*	*
Proportion - June 30, 2019	0.06933%	*	*
Change - Increase (Decrease)	<u>-0.00169%</u>	<u>*</u>	<u>*</u>

\*Information not available

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	CalPERS Miscellaneous Consolidated	PARS REP EE	PARS REP EC	Total
2019	\$ 2,020	\$ 321,180	\$ (124,767)	\$ (69,651)
2020	\$ 2,021	\$ 171,745	\$ (68,208)	\$ (72,442)
2021	\$ 2,022	\$ (74,259)	\$ (53,059)	\$ (15,883)
2022	\$ 2,023	\$ (23,500)	\$ (46,833)	\$ (734)
2023	\$ 2,024	\$ -	\$ -	\$ -
Thereafter				

**Actuarial Assumptions used for determining the pension liability as of June 30, 2019:**

	<u>CalPERS Miscellaneous Consolidated</u>	<u>PARS</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions:		
Discount Rate	7.65%	7.00%
Inflation	2.75%	2.75%
Payroll Growth Rate	3.00%	n/a
Projected Salary Increase	Varies by Entry Age and Service	n/a
Investment Rate of Return **	7.50%	7.00%
Mortality	Based on the 2010 CalPERS Experience Study for the period from 1997 to 2007	Per-retirement: CalPERS Miscellaneous Agency Non- Industrial Rate; Post- retirement: CalPERS 1997- 2011 Healthy Retiree Tables (sex-distinct) projected using Scale AA and an assumed base year of 2008

\*\* Net of pension plan investment expenses, including inflation

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

As of June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS Miscellaneous Consolidated		PARS REP EE		PARS REP EC		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 313,124	\$ -	\$ 230,171	\$ -	\$ 2,200	\$ -	\$ 545,495	\$ -
Difference between projected and actual experience	100,247	34,114	-	288,763	655	-	100,902	322,877
Difference in actual vs. projected contributions	31,335	135,436	-	-	-	-	31,335	135,436
Change in proportion assumptions	195,353	-	-	-	-	-	195,353	-
Net differences between projected and actual earnings on plan investments	297,864	73,024	-	2,869	-	-	297,864	75,893
	12,917	-	-	1,212.00	-	-	12,917	1,212
<b>Total</b>	<b>\$ 950,840</b>	<b>\$ 242,574</b>	<b>\$ 230,171</b>	<b>\$292,844</b>	<b>\$ 2,855</b>	<b>\$ -</b>	<b>\$1,183,866</b>	<b>\$ 535,418</b>

The tables below reflect the long-term expected real rate of return by asset class for each Plan. Rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class for CalPERS Miscellaneous Consolidated	Current Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Debt Securities	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland		0.00%	0.00%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period

(b) An expected inflation of 2.92% used for this period

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

<u>Asset Class for PARS REP EE</u>	<u>Current Strategic Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Cash	2.7%	0.71%	0.71%
US Core Fixed Income	36.3%	1.83%	1.73%
US Equity Market	46.3%	4.71%	3.52%
Foreign Developed Equity	6.9%	6.06%	4.55%
Emerging Markets Equity	5.2%	8.23%	5.43%
US REITS	2.7%	5.05%	3.42%
	<u>100.0%</u>		

Long-Term Expected Rate of Return 6.50%

The Authority's proportionate share of the net pension liability for each Plan is stated below, calculated using the discount rate for each Plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
CalPERS Misc. Consolidated	(6.15%) \$ 4,363,907	Rate (7.15%) \$ 2,612,771	(8.15%) \$ 1,167,236
PARS REP EE	(5.50%) \$ 374,835	(6.50%) \$ 93,540	(7.50%) \$ (143,781)
PARS REP EC	\$ 3,132	\$ (21,951)	\$ (44,004)
Total	\$ 4,741,874	\$ 2,684,360	\$ 979,451

**(8) Other Post Employment Benefits, OPEB**

*Plan Description:* In response to the GASB 45 requirement, the Authority contracted with PARS to establish a Post-Retirement Health Care Plan Trust. The Trust is structured as a multiple-employer trust in accordance with Section 115 of the Internal Revenue Code. To comply with GASB 43 and 45, the Trust was established as an irrevocable exclusive benefit trust to fund retiree health care benefits. Consistent with other Authority benefit plans, the Chief Executive Officer (CEO) administers the PARS plan and has overall responsibility for the plan, including selection of the plan's asset investment approach.

## CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

### Notes to the Basic Financial Statements

PARS serves as the trust administrator. US Bank serves as the trustee of the PARS GASB 45 Funding Program. Highmark Capital Management is the investment manager of trust assets. GASB 43 and 45 were superseded by GASB 74 and 75.

Funding Policy: The contribution requirements to the Trust are established and may be amended by the Executive Committee. The contribution to be made each year to the Trust is determined by the Executive Committee as part of its budget process.

Eligibility: The Authority provides medical insurance benefits to its retirees who: (1) retire from the Authority; (2) receive a retirement from PERS based on an application to PERS dated the same date as the employee's retirement date from the Authority. Eligible retirees and their qualified dependents may receive retiree medical insurance, at the Authority's cost, up to 100% of the PERS CHOICE family rate.

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75. The ADC 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 liabilities (or funding excess) over a period not to exceed thirty years.

*Employees covered by benefit terms.* At June 30, 2019, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	25
Inactive employees entitled to but not yet receiving benefits payments	0
Active employees	<u>15</u>
Total	<u>40</u>

*Contributions.* For the year ended June 30, 2018, the Authority's average contribution rate was 100% of covered-employee payroll. Employees are not required to contribute to the plan.

#### **Net OPEB Liability**

The Authority's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary Increases	N/A
Investment rate of return	8.0 percent
Healthcare cost of trend rates	4.6 percent Medical, increasing 0.1 per year to 4.8 percent 7.6 percent Pharmacy, decreasing to 6.2 percent in Year 2 and 4.9 percent in Year 3 4.0 percent Dental, decreasing 0.5 percent per year to an ultimate rate of 3.0 percent 3.0 percent Vision, remaining flat for 10 years

## CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

### Notes to the Basic Financial Statements

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Strategic Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Cash	4.42%	0.31%	0.31%
US Core Fixed Income	34.18%	2.14%	2.02%
US Equity Market	36.63%	4.59%	3.32%
Foreign Developed Equity	17.52%	5.52%	3.91%
Emerging Markets Equity	7.26%	7.82%	4.59%
<hr/>			
Long-Term Expected Rate of Return			8.00%

*Discount rate.* The discount rate used to measure the total OPEB liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

Under GASB 75, an updated Net OPEB valuation is required every two years. The illustration below represents an off-year valuation update. In the off years, the results are re-evaluated using the current prevailing municipal bond rate in the discount rate calculation.

<b>Changes in the Net OPEB Liability</b>			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 4,661,133	\$ 3,455,357	\$ 1,205,776
Changes for the year			
Service Cost	-		-
Interest	-		-
Effect of Plan Changes	-		-
Effect of Economic/Demographic Gains/Losses	426,859		426,859
Effect of Assumption Changes or Inputs	(17,287)		(17,287)
Benefit Payments	-	-	-
Employer Contributions	-		-
Net Investment Income	-		-
Administrative Expenses			
Net Changes	409,572	-	409,572
Balance at June 30, 2019	\$ 5,070,705	\$ 3,455,357	\$ 1,615,348

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates:* The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate - 1% (7.00%)	Current Discount (8.00%)	Discount Rate + 1% (9.00%)
Net OPEB liability (asset)	\$ 2,132,212	\$ 1,615,348	\$ 1,174,050
Change from baseline	\$ 516,864		\$ (441,298)

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:* The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:



**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

	Healthcare Cost		
	Baseline Trend - 1%	Baseline Trend	Baseline Trend + 1%
Net OPEB liability (asset)	\$ 1,084,024	\$1,615,348	\$ 2,241,181
Change from baseline	\$ (531,324)		\$ 625,833

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$409,572. At June 30, 2019, the Authority had no deferred outflows of resources or deferred inflows of resources related to OPEB.

**Payable to the OPEB Plan**

At June 30, 2019, the Authority did not report any payables for the outstanding amount of contributions to the Authority Plan.

**(9) Contract Services Provided to Other Agencies**

For the fiscal year ended June 30, 2019 the Authority provided administrative consulting services to the Los Angeles County Liability Trust Fund (LTF) and was compensated on a fee for service basis. The Authority did not have custody of LTF assets.

For the fiscal year ended June 30, 2019 the Authority also provided administrative consulting services to the Central Coast Cities Self Insurance Fund (CCCSIF) for Workers' Compensation tail claims incurred prior to July 1, 2004. During the fiscal year, the Authority maintained custody of CCCSIF assets. Financial activity related to CCCSIF is accounted for separately in an agency fund administered by the Authority. Agency fund activity for the year ended June 30, 2019 is summarized in the following table.

	2019
Other deposits payable as of 7/1/18	\$ 2,897,181
Amounts received	84,389
Amounts paid on behalf	(290,206)
Other deposits payable as of 6/30/19	\$ 2,691,364

**Other deposits payable by type:**

Claims payable	\$ 1,528,165
Designated for Actuarial Funding in Excess of Expected	180,676
Due to Participating Cities	982,523
Total	\$ 2,691,364

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Notes to the Basic Financial Statements**

**(10) Contingencies**

Various claims and suits have been filed against the members of the Authority in the normal course of its operations. The probable amounts of loss associated with these cases have been estimated by contracted actuarial consultants and reflected in the accompanying financial statements as claims payable. Although the outcome of these claims and lawsuits is uncertain, management does not expect that the resolution of these cases will have a material adverse effect on the Authority beyond the provision for claims payable reflected in the accompanying financial statements.

**(11) Salvaged Assets**

Salvaged assets reflect an anticipated recovery on a land subsidence claim in the Primary Liability Program. The Authority acquired real property in the course of resolving the claim. A recovery is expected in the future when the property is sold. An appraisal was conducted in 2012 which serves as the basis for the asset valuation.

The estimate should be viewed as the amount of expected net proceeds which are anticipated from the eventual sale. The estimate was not reduced to account for the cost of remediation or any other costs associated with property improvements because those expenses and liabilities have already been accounted for as part of the underlying claim file.

Real property values are volatile and subject to changes in demand, market conditions and other economic factors. The actual recoveries, when they occur, may vary from the estimated value.

**(12) Subsequent Events**

The Authority's management evaluated its 2019 financial statements for subsequent events through the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require a disclosure in the financial statements.

**(13) Allowance for Doubtful Accounts**

Non-current retrospective deposits receivable were marked down by \$8 million on June 30, 2019 due to the posting of an allowance for doubtful accounts. The outstanding debt was not forgiven, waived or reduced in any manner and no rights were waived by the Authority in taking the administrative action. Collection of the full retrospective deposit balance will continue to be pursued until the matter is resolved. The allowance for doubtful accounts was established for the sole purpose of more accurately stating the Authority's net position to readers of its financial statements, due to the extended time frame associated with the collection of the financial obligation from the member agency. A portion of the member's outstanding balance, \$1.7 million, remains as part of the reported receivable and is expected to be collected prior to 2030 based on actual payments received during the past 5 years. The \$8 million allowance for doubtful accounts is the portion of the receivable that is unlikely to be collected prior to 2030.

# Required Supplementary Information

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**DEFINED BENEFIT PENSION PLANS**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**As of June 30, 2019**

<b>CalPERS Miscellaneous Consolidated</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>	
Proportion of the net pension liability	0.083910%	0.059770%	0.006257%	0.063870%	0.069328%	
Proportionate share of the net pension liability	\$ 2,073,827	\$ 1,639,879	\$ 2,218,760	\$ 2,666,524	\$ 2,612,771	
Covered-employee payroll (2)	\$ 2,327,758	\$ 2,682,094	\$ 3,037,419	\$ 3,037,419	\$ 3,448,823	
Proportionate share of the net pension liability as percentage of covered-employee payroll	89.09%	61.14%	73.05%	87.79%	75.76%	
Plans fiduciary net position as a percentage of the total pension liability	78.67%	78.40%	79.89%	75.39%	79.82%	
Proportionate share of aggregate employer contributions (3)	\$ 334,032	\$ 301,892	\$ 306,510	\$ 355,251	\$ 393,580	
<b>PARS EE</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Proportion of the net pension liability	*	*	*	*	*	*
Proportionate share of the net pension liability	\$ 865,992	\$ 922,433	\$ 987,098	\$ 515,962	\$ 444,000	\$ 93,540
Covered-employee payroll (2)	\$ 2,073,164	\$ 2,135,359	\$ 2,202,636	\$ 2,240,698	\$ 2,307,919	\$ 2,357,296
Proportionate share of the net pension liability as percentage of covered-employee payroll	41.77%	43.20%	44.81%	23.03%	19.24%	3.97%
Plans fiduciary net position as a percentage of the total pension liability	*	60.05%	60.29%	77.72%	82.02%	96.06%
Proportionate share of aggregate employer contributions (3)	\$ 172,090	\$ 177,684	\$ 202,432	\$ 206,231	\$ 191,132	\$ 195,696
<b>PARS EC</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Proportion of the net pension liability	*	*	*	*	*	*
Proportionate share of the net pension liability	\$ (52,628)	\$ (36,035)	\$ (6,421)	\$ (23,792)	\$ (27,825)	\$ (21,952)
Covered-employee payroll (2)	N/A	N/A	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability as percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plans fiduciary net position as a percentage of the total pension liability	*	110.08%	101.82%	106.81%	108.08%	106.36%
Proportionate share of aggregate employer contributions (3)	\$ 1,455	\$ 1,455	\$ 5,137	\$ 5,137	\$ 1,383	\$ 1,383

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.  
(2) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.  
(3) The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.  
\* Information not available

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**DEFINED BENEFIT PENSION PLANS**  
**SCHEDULE OF CONTRIBUTIONS**  
**As of June 30, 2019**

<b>Proportion of the net pension liability</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Actuarially Determined Contribution (2)	\$ 334,032	\$ 301,892	\$ 306,510	\$ 355,251	\$ 393,580
Contributions in relation to the actuarially determined contributions (2)	(334,032)	(472,140)	(263,865)	(268,522)	(313,124)
Contribution deficiency (excess)	\$ -	\$ (170,248)	\$ 42,645	\$ 86,729	\$ 80,456

Covered-employee payroll (3,4)	\$ 2,327,758	\$ 2,682,094	\$ 3,037,419	\$ 3,105,427	\$ 3,105,427
Contributions as a percentage of covered-employee payroll (3)	14.35%	11.26%	8.69%	8.65%	10.08%

<b>PARS EE</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Actuarially Determined Contribution (2)	\$ 172,090	\$ 177,684	\$ 202,432	\$ 206,231	\$ 191,132	\$ 195,696
Contributions in relation to the actuarially determined contributions (2)	(173,377)	(168,903)	(214,680)	(217,175)	(221,064)	(230,171)
Contribution deficiency (excess)	\$ (1,287)	\$ 8,781	\$ (12,248)	\$ (10,944)	\$ (29,932)	\$ (34,475)

Covered-employee payroll (3,4)	\$ 2,073,164	\$ 2,135,359	\$ 2,202,636	\$ 2,240,698	\$ 2,307,919	\$ 2,357,296
Contributions as a percentage of covered-employee payroll (3)	8.36%	7.91%	9.75%	9.69%	9.58%	9.76%

<b>PARS EC</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16*</b>	<b>2016-17*</b>	<b>2017-18*</b>	<b>2018-19*</b>
Actuarially Determined Contribution (2)	\$ 1,455	\$ 1,455	\$ 5,137	\$ 5,137	\$ 1,383	\$ 1,383
Contributions in relation to the actuarially determined contributions (2)	(2,199)	(2,200)	(2,200)	(2,200)	(2,200)	(2,200)
Contribution deficiency (excess)	\$ (744)	\$ (745)	\$ 2,937	\$ 2,937	\$ (817)	\$ (817)

Covered-employee payroll (3,4)	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll (3)	N/A	N/A	N/A	N/A	N/A	N/A

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. Employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

(4) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption.

\* Plan is currently in surplus.

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**OPEB DISCLOSURES**  
**As of June 30, 2019**

Requirements to disclose Other Postemployment Benefits took effect the 2017-18 fiscal year. Reporting prior to this period was optional.

<b>OPEB Schedule of Contributions</b>		
	2019	2018
Actuarially determined contribution	\$ 396,918	\$ 365,437
Contributions in relation to the actuarially required contribution	201,000	201,000
Contribution deficiency (excess)	\$ 195,918	\$ 164,437
Covered-employee payroll	\$ 2,357,296	\$ 2,240,698
Contributions as a percentage of covered payroll	8.31%	7.34%

<b>OPEB Schedule of Changes</b>		
	2019	2018
Total OPEB Liability		
Service Cost	\$ -	\$ 263,162
Interest		331,939
Change of benefits terms	-	-
Differences between expected and actual experience	257,123	211,648
Changes of assumptions	-	(230,700)
Benefit Payments	-	-
Net change in total OPEB liability	257,123	576,049
Total OPEB Liability – beginning	4,813,583	4,237,534
Total OPEB Liability – ending (a)	\$ 5,070,706	\$ 4,813,583
Plan fiduciary net position		
Contributions – employer	-	353,450
Net investment income	(152,449)	221,624
Benefit payments	-	-
Administrative expenses	-	-
Net change in plan fiduciary net position	(152,449)	575,074
Plan fiduciary net position – beginning	3,607,807	3,032,733
Plan fiduciary net position – ending (b)	\$ 3,455,358	\$ 3,607,807
Authority's net OPEB liability – ending (a) - (b)	\$ 1,615,348	\$ 1,205,776
Plan fiduciary net position as a percentage of the total OPEB liability	68.14%	74.95%
Covered-employee payroll	\$ 2,357,296	\$ 2,307,919
Authority's net OPEB liability as a percentage of covered payroll	68.53%	52.25%

CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
Reconciliation of Claims Payable by Type of Contract

	Primary Liability		Primary WC		Property		Excess Liability		Excess WC		Totals	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses at beginning of the year	\$ 85,619,000	\$ 85,608,000	\$ 102,494,000	\$ 102,578,000	\$ -	\$ -	\$ 1,565,000	\$ 431,000	\$ 69,000	\$ -	\$ 189,747,000	\$ 188,617,000
Incurred claims and claim adjustment expenses:												
Provision for covered events of the current year	33,002,000	28,404,000	26,402,000	25,331,000	4,452,169	1,937,768	1,970,000	723,000	333,000	69,000	66,159,169	56,464,768
Changes in provision for covered events of prior yrs	(3,865,428)	291,136	(664,767)	(1,773,483)			(442,844)	411,000	10,000	-	(4,963,039)	(1,071,347)
Total incurred claims and claim adjustment expenses	29,136,572	28,695,136	25,737,233	23,557,517	4,452,169	1,937,768	1,527,156	1,134,000	343,000	69,000	61,196,130	55,393,421
Payments:												
Claims & claim adjustment expenses attributable to:												
Covered events of the current year	2,009,954	1,498,584	4,692,657	3,700,650	4,452,169	1,937,768	-	-	-	-	11,154,780	7,137,002
Covered events of prior years	26,903,618	27,185,552	19,637,576	19,940,867			634,156	-	-	-	47,175,350	47,126,419
Total payments	28,913,572	28,684,136	24,330,233	23,641,517	4,452,169	1,937,768	634,156	-	-	-	58,330,130	54,263,421
Total unpaid claims and claim adjustment expenses at end of year	\$ 85,842,000	\$ 85,619,000	\$ 103,901,000	\$ 102,494,000	\$ -	\$ -	\$ 2,458,000	\$ 1,565,000	\$ 412,000	\$ 69,000	\$ 192,613,000	\$ 189,747,000
Components of claims payable												
Current portion	\$ 30,040,000	\$ 29,500,000	\$ 25,980,000	\$ 24,500,000			\$ 860,000	\$ 900,000	\$ 100,000	\$ 10,000	\$ 56,980,000	\$ 54,910,000
Non-current portion	55,802,000	56,119,000	77,921,000	77,994,000			1,598,000	665,000.00	312,000	59,000	135,633,000	134,837,000
Total claims payable	\$ 85,842,000	\$ 85,619,000	\$ 103,901,000	\$ 102,494,000	\$ -	\$ -	\$ 2,458,000	\$ 1,565,000	\$ 412,000	\$ 69,000	\$ 192,613,000	\$ 189,747,000
Categories of claims payable												
Claim reserves	\$ 50,835,000	\$ 57,870,000	\$ 61,021,000	\$ 62,871,000			\$ 117,000	\$ 538,000	\$ 10,000	\$ -	\$ 111,983,000	\$ 121,279,000
IBNR: incurred but not reported	30,639,000	23,189,000	37,643,000	34,306,000			1,892,000	1,021,000	153,000	27,000	70,327,000	58,543,000
ULAE: unallocated loss adjustment expense	4,368,000	4,560,000	5,237,000	5,317,000			449,000	6,000	249,000	42,000	10,303,000	9,925,000
<b>Total claims payable</b>	<b>\$ 85,842,000</b>	<b>\$ 85,619,000</b>	<b>\$ 103,901,000</b>	<b>\$ 102,494,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,458,000</b>	<b>\$ 1,565,000</b>	<b>\$ 412,000</b>	<b>\$ 69,000</b>	<b>\$ 192,613,000</b>	<b>\$ 189,747,000</b>

CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
Schedule of Ten-Year Claims Development Information: Primary Liability Program  
Fiscal and Coverage Years Ended June 30 (In Thousands of Dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contribution and investment revenue:										
Earned	\$ 33,152	\$ 48,463	\$ 46,044	\$ 38,343	\$ 47,178	\$ 44,739	\$ 49,556	\$ 45,090	\$ 48,977	\$ 54,807
Ceded	7,240	7,838	6,988	7,544	6,151	6,925	7,653	7,990	5,722	3,185
Net earned	25,912	40,625	39,056	30,799	41,027	37,814	41,903	37,100	43,255	51,622
2. Unallocated expenses	5,872	6,650	6,561	6,347	6,805	6,693	7,974	8,056	8,505	8,979
3. Estimated incurred claims expense, end of coverage year										
Incurred	38,921	35,222	34,761	34,220	33,032	34,051	34,202	35,895	33,766	35,849
Ceded Claims	7,240	7,838	6,988	7,544	6,151	6,925	7,653	7,990	5,722	3,185
Net incurred claims	31,681	27,384	27,773	26,676	26,881	27,126	26,549	27,905	28,044	32,664
4. Paid (cumulative) as of:										
End of coverage year	1,313	1,131	1,190	883	1,755	2,549	2,500	2,337	1,499	2,010
One year later	4,279	5,870	5,559	4,685	6,194	7,114	10,234	6,107	6,340	
Two years later	12,210	16,277	15,524	13,840	13,449	17,091	16,545	16,090		
Three years later	14,288	20,478	18,666	19,921	26,004	25,577	19,847			
Four years later	15,353	21,963	26,586	22,385	29,069	30,272				
Five years later	16,944	22,495	27,643	23,953	29,368					
Six years later	17,919	22,729	27,684	23,946						
Seven years later	20,713	26,420	27,645							
Eight years later	17,927	28,779								
Nine years later	17,963									
5. Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Re-estimated net incurred losses										
End of coverage year	31,681	27,384	27,773	26,676	26,881	27,126	26,549	27,905	28,044	32,664
One year later	28,996	30,449	27,734	25,816	31,662	35,086	30,134	28,695	29,593	
Two years later	25,849	29,554	26,632	24,183	29,139	34,005	27,840	28,877		
Three years later	23,241	30,222	24,178	27,845	34,532	33,696	25,610			
Four years later	19,045	29,900	27,544	22,881	34,269	34,549				
Five years later	19,102	29,088	27,961	24,293	33,770					
Six years later	18,581	29,232	27,821	24,136						
Seven years later	21,358	29,401	27,701							
Eight years later	17,991	29,716								
Nine years later	17,978									
7. Increase (decrease) in estimated incurred claims expense from end of coverage year	\$ (13,703)	\$ 2,332	\$ (72)	\$ (2,540)	\$ 6,889	\$ 7,423	\$ (939)	\$ 972	\$ 1,549	\$ -



CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
Schedule of Ten-Year Claims Development Information: Primary Workers' Compensation Program  
Fiscal and Coverage Years Ended June 30 (In Thousands of Dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contribution and investment revenue:										
Earned	\$ 29,290	\$ 26,082	\$ 33,220	\$ 32,215	\$ 30,857	\$ 33,127	\$ 39,410	\$ 34,226	\$ 32,641	\$ 42,516
Ceded	697	936	875	751	875	769	845	900	894	909
Net earned	28,593	25,146	32,345	31,464	29,982	32,358	38,565	33,326	31,747	41,607
2. Unallocated expenses	4,094	4,306	4,548	4,907	5,284	6,137	6,245	7,319	7,475	8,062
3. Estimated incurred claims expense, end of coverage year										
Incurred	19,800	18,873	20,575	22,462	23,543	23,175	21,554	25,257	26,152	27,270
Ceded Claims	697	936	875	751	875	769	845	900	894	909
Net incurred claims	19,103	17,937	19,700	21,711	22,668	22,406	20,709	24,357	25,258	26,361
4. Paid (cumulative) as of:										
End of coverage year	3,386	2,760	3,223	3,922	2,579	3,355	3,496	3,864	3,701	4,693
One year later	7,802	7,432	8,227	9,696	6,879	8,138	8,092	10,857	8,973	
Two years later	9,959	10,487	12,316	12,834	9,867	12,633	10,776	14,915		
Three years later	12,452	12,665	14,872	15,232	11,933	15,926	12,841			
Four years later	14,146	13,953	16,849	17,264	13,062	17,989				
Five years later	15,772	14,693	18,772	19,073	14,550					
Six years later	16,779	15,490	20,006	20,585						
Seven years later	17,251	15,858	20,393							
Eight years later	18,007	16,174								
Nine years later	18,481									
5. Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Re-estimated net incurred losses										
End of coverage year	19,103	17,937	19,700	21,711	22,668	22,406	20,709	24,357	25,258	26,361
One year later	19,091	21,333	22,673	24,272	21,281	23,824	22,620	26,628	26,046	
Two years later	21,146	22,070	26,033	24,120	21,522	26,718	23,044	28,840		
Three years later	21,575	21,433	25,842	25,615	22,457	28,098	21,770			
Four years later	21,571	20,953	25,507	26,457	20,623	27,346				
Five years later	21,914	20,478	26,615	27,213	20,045					
Six years later	22,023	20,075	25,792	27,762						
Seven years later	22,407	19,969	25,121							
Eight years later	22,155	19,575								
Nine years later	21,908									
7. Increase (decrease) in estimated incurred claims expense from end of coverage year	\$ 2,805	\$ 1,638	\$ 5,421	\$ 6,051	\$ (2,623)	\$ 4,940	\$ 1,061	\$ 4,483	\$ 788	\$ -

CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
Schedule of Ten-Year Claims Development Information: Excess Liability Program  
Fiscal and Coverage Years Ended June 30 (In Thousands of Dollars)  
Note: This program began in 2017

	2017	2018	2019
1. Required contribution and investment revenue:			
Earned	\$ 2,421	\$ 2,641	\$ 4,708
Ceded	839	512	543
Net earned	<u>1,582</u>	<u>2,129</u>	<u>4,165</u>
2. Unallocated expenses	346	339	429
3. Estimated incurred claims expense, end of coverage year			
Incurred	1,276	1,275	2,297
Ceded Claims	839	512	543
Net incurred claims	<u>437</u>	<u>763</u>	<u>1,754</u>
4. Paid (cumulative) as of:			
End of coverage year	-	-	-
One year later	-	50	
Two years later	584		
Three years later			
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
5. Re-estimated ceded claims and expenses	-	-	-
6. Re-estimated net incurred losses			
End of coverage year	437	763	1,754
One year later	874	393	
Two years later	642		
Three years later			
Four years later			
Five years later			
Six years later			
Seven years later			
Eight years later			
Nine years later			
7. Increase (decrease) in estimated incurred claims expense from end of coverage year	<u>\$ 205</u>	<u>\$ (370)</u>	<u>\$ -</u>

CALIFORNIA JOINT POWERS INSURANCE AUTHORITY  
Schedule of Ten-Year Claims Development Information: Excess Workers' Compensation Program  
Fiscal and Coverage Years Ended June 30 (In Thousands of Dollars)  
Note: This program began in 2018

	2018	2019
1. Required contribution and investment revenue:		
Earned	\$ 360	\$ 1,155
Ceded	27	66
Net earned	<u>333</u>	<u>1,089</u>
2. Unallocated expenses	2	16
3. Estimated incurred claims expense, end of coverage year		
Incurred	60	221
Ceded Claims	27	66
Net incurred claims	<u>33</u>	<u>155</u>
4. Paid (cumulative) as of:		
End of coverage year	-	-
One year later	-	-
Two years later		
Three years later		
Four years later		
Five years later		
Six years later		
Seven years later		
Eight years later		
Nine years later		
5. Re-estimated ceded claims and expenses	-	-
6. Re-estimated net incurred losses		
End of coverage year	33	155
One year later	35	
Two years later		
Three years later		
Four years later		
Five years later		
Six years later		
Seven years later		
Eight years later		
Nine years later		
7. Increase (decrease) in estimated incurred claims expense from end of coverage year	<u>\$ 2</u>	<u>\$ -</u>

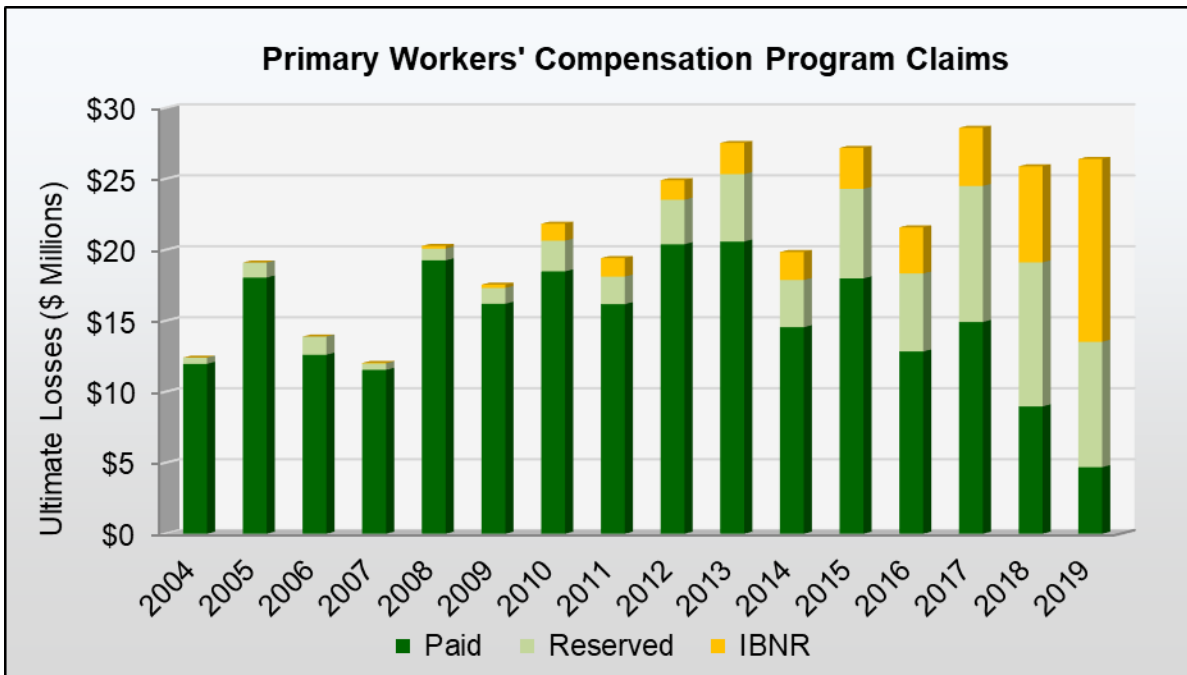
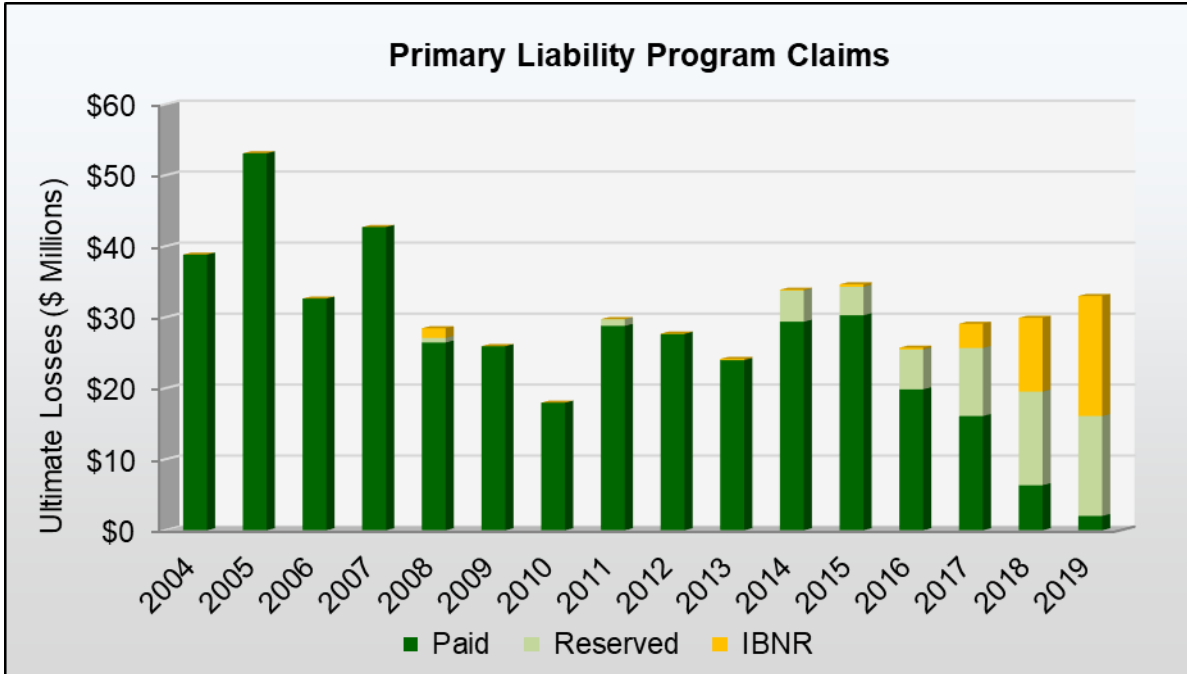
**Notes to the Required Supplementary Information**  
**Definition of Terms for Schedule of Ten-Year Claims Development Information**

The schedules of ten-year claims development information on the preceding pages illustrate how the Authority's net earned revenue compares to related costs of losses and other expenses assumed by the Authority. The numbered rows on the schedules are defined as follows:

1. Required contribution and investment revenue: Contributions represent the total of each coverage year's gross earned contributions from members on a cumulative basis, which includes the coverage year's initial funding as well as all subsequent retrospective adjustments attributable to the subject year. Investment income is reported net of changes in fair market values as of coverage year-end. Premiums ceded to reinsurers and excess carriers are also stated.
2. Unallocated expenses: This line shows other operating costs of the Authority including each coverage year's overhead expenses and claims expenses not allocable to individual claims.
3. Estimated incurred claims expenses, end of coverage year: This line shows the Authority's gross incurred claims and allocated claim adjustment expense, claims assumed by reinsurers and excess carriers (ceded claims), and the net incurred claims and allocated claim 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 *coverage year*), on an undiscounted basis.
4. Paid (cumulative) as of: This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each coverage year.
5. Re-estimated ceded claims and expenses: This line shows the latest re-estimated amount of claims assumed by reinsurers and excess carriers, as of the end of the current year for each coverage year.
6. Re-estimated net incurred losses: This section of ten rows shows how each coverage year's net incurred claims increased or decreased as of the end of successive years. These annually updated estimates are the result of new information received on known claims, reevaluation of existing information on known claims, and the emergence of new claims not previously known.
7. Increase (decrease) in estimated incurred claims expense from end of coverage year: This line compares the latest re-estimated 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 coverage years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature years. The columns of the schedules show data for successive coverage years.

# Supplementary Information

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Graphical Summary of Claim Liabilities**  
**As of June 30, 2019**



**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Schedule of Net Position by Program**  
**June 30, 2019 and 2018**

	Primary Liability	Primary WC	Insurance Programs	Excess Liability	Excess WC	Total 2019	Total 2018
<b>Assets</b>							
Current Assets:							
Cash and equivalents	\$ 15,609,130	\$ 14,718,144	\$ 549,852	\$ 646,919	\$ 146,116	\$ 31,670,161	\$ 18,994,301
Short-term investments	10,500,760	9,901,365	369,903	435,203	98,297	21,305,528	17,732,540
Interest receivable	912,958	819,956	60,787	35,730	-	1,829,431	1,538,433
Retrospective deposits receivable	3,889,662	1,325,556	-	-	-	5,215,218	5,215,218
Accounts receivable	756,341	-	-	-	-	756,341	4,190,366
Excess recoveries in progress	3,971,898	278,897	4,611,949	-	-	8,862,744	5,254,542
Prepaid expenses	222,538	178,308	389,970	13,710	1,143	805,669	1,118,209
<b>Total Current Assets</b>	<b>35,863,287</b>	<b>27,222,226</b>	<b>5,982,461</b>	<b>1,131,562</b>	<b>245,556</b>	<b>70,445,092</b>	<b>54,043,609</b>
Non-Current Assets:							
Long-term investments	123,809,321	116,742,155	4,361,347	5,131,262	1,158,969	251,203,054	242,836,581
Retrospective deposits receivable, net	5,522,720	3,868,910	-	-	-	9,391,630	19,562,863
Salvaged assets	1,200,000	-	-	-	-	1,200,000	2,850,000
Capital assets, not being depreciated	1,323,952	892,828	-	5,733	-	2,222,513	2,038,282
Capital assets, net of depreciation	1,375,674	957,674	1,182	364	-	2,334,894	4,362,823
Net Pension Assets	10,098	9,220	1,756	877	-	21,951	27,825
<b>Total Non-Current Assets</b>	<b>133,241,765</b>	<b>122,470,787</b>	<b>4,364,285</b>	<b>5,138,236</b>	<b>1,158,969</b>	<b>266,374,042</b>	<b>271,678,374</b>
<b>Total Assets</b>	<b>169,105,052</b>	<b>149,693,013</b>	<b>10,346,746</b>	<b>6,269,798</b>	<b>1,404,525</b>	<b>336,819,134</b>	<b>325,721,983</b>
Deferred Outflows of Resources	544,579	497,223	94,710	47,354	-	1,183,866	1,448,382
<b>Liabilities</b>							
Current Liabilities:							
Accounts payable	234,428	112,495	3,576	7,964	749	359,212	600,013
Compensated absences	231,246	212,369	28,316	-	-	471,931	449,141
Unearned contributions	8,146,948	3,995,231	4,436,155	3,260	-	16,581,594	16,383,172
Retrospective refunds payable	3,330,242	1,344,902	-	-	-	4,675,144	10,188,145
Claims payable, short-term	30,040,000	25,980,000	-	860,000	100,000	56,980,000	54,910,000
<b>Total Current Liabilities</b>	<b>41,982,864</b>	<b>31,644,997</b>	<b>4,468,047</b>	<b>871,224</b>	<b>100,749</b>	<b>79,067,881</b>	<b>82,530,471</b>
Non-Current Liabilities:							
Claims payable, long-term	55,802,000	77,921,000	-	1,598,000	312,000	135,633,000	134,837,000
Net pension liability	1,244,903	1,136,651	216,505	108,252	-	2,706,311	3,110,524
Net OPEB liability	743,060	678,446	129,228	64,614	-	1,615,348	1,205,776
<b>Total Non-Current Liabilities:</b>	<b>57,789,963</b>	<b>79,736,097</b>	<b>345,733</b>	<b>1,770,866</b>	<b>312,000</b>	<b>139,954,659</b>	<b>139,153,300</b>
<b>Total Liabilities</b>	<b>99,772,827</b>	<b>111,381,094</b>	<b>4,813,780</b>	<b>2,642,090</b>	<b>412,749</b>	<b>219,022,540</b>	<b>221,683,771</b>
Deferred Inflows of Resources	246,292	224,875	42,834	21,417	-	535,418	425,094
<b>Net Position</b>							
Net investment in capital assets	2,699,626	1,850,502	1,182	6,097	-	4,557,407	6,401,105
Unrestricted	66,930,886	36,733,765	5,583,660	3,647,548	991,776	113,887,635	98,660,395
<b>Total Net Position</b>	<b>\$ 69,630,512</b>	<b>\$ 38,584,267</b>	<b>\$ 5,584,842</b>	<b>\$ 3,653,645</b>	<b>\$ 991,776</b>	<b>\$ 118,445,042</b>	<b>\$ 105,061,500</b>

**CALIFORNIA JOINT POWERS INSURANCE AUTHORITY**  
**Schedule of Revenues, Expenses, and Changes in Net Position by Program**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	Primary Liability	Primary WC	Insurance Programs	Excess Liability	Excess WC	2019	2018
<b>Operating Revenues</b>							
Contributions	\$ 46,195,365	\$ 34,947,203	\$ 14,777,629	\$ 4,585,800	\$ 1,155,400	\$ 101,661,397	\$ 97,699,484
Retrospective adjustments, net	(7,945,196)	-	-	-	-	(7,945,196)	(1,729,174)
Miscellaneous income	400,861	254,091	434,906	10,526	-	1,100,384	1,037,637
<b>Total Operating Revenues</b>	<b>38,651,030</b>	<b>35,201,294</b>	<b>15,212,535</b>	<b>4,596,326</b>	<b>1,155,400</b>	<b>94,816,585</b>	<b>97,007,947</b>
<b>Operating Expenses</b>							
Coverages:							
Incurred claims expenses	29,136,572	25,737,233	4,452,169	1,527,156	343,000	61,196,130	55,393,421
Claims administration	2,652,000	2,889,825	-	-	-	5,541,825	5,640,061
Excess and re-insurance premiums	3,185,251	909,422	10,706,745	543,361	66,470	15,411,249	16,283,213
Contractual Services:							
Legal services	127,770	14,525	(2,897)	944	84	140,426	116,286
Investment and bank services	125,367	115,560	1,924	-	-	242,851	240,863
Information technology support	168,414	136,436	3,198	10,658	733	319,439	510,668
Risk management evaluations	14,579	11,811	261	923	87	27,661	27,849
Loss control services	327,752	265,521	5,838	20,742	1,944	621,797	405,647
Audit and actuarial services	72,942	56,410	853	2,844	282	133,331	173,265
Employment law resource	182,626	-	-	-	-	182,626	156,914
Other contractual services	348,163	257,501	69,155	18,386	1,579	694,784	357,325
General and Administrative:							
Salaries and employee benefits	2,800,486	2,431,779	454,400	239,751	467	5,926,883	5,060,576
Office expenses	120,773	131,262	4,919	8,407	745	266,106	404,966
Member training and meetings	1,262,139	1,024,209	32,167	79,580	6,902	2,404,997	1,817,420
Risk management educational forum	244,640	198,195	4,647	15,483	1,418	464,383	378,828
Depreciation	327,362	234,254	-	8,625	-	570,241	862,751
Utilities and Miscellaneous expenses	204,309	294,821	6,659	22,901	2,154	530,844	652,059
<b>Total Operating Expenses</b>	<b>41,301,145</b>	<b>34,708,764</b>	<b>15,740,038</b>	<b>2,499,761</b>	<b>425,865</b>	<b>94,675,573</b>	<b>88,482,112</b>
<b>Operating Income (Loss)</b>	<b>(2,650,115)</b>	<b>492,530</b>	<b>(527,503)</b>	<b>2,096,565</b>	<b>729,535</b>	<b>141,012</b>	<b>8,525,835</b>
<b>Non-Operating Revenues</b>							
Gain (loss) on disposal of assets	(3,128,687)	-	-	-	-	(3,128,687)	(975,915)
Investment income	3,595,973	3,295,860	68,978	122,119	-	7,082,930	6,265,040
Net increase (decrease) in investment fair values	5,015,675	4,272,612	-	-	-	9,288,287	(7,088,365)
<b>Total Non-Operating Revenues</b>	<b>5,482,961</b>	<b>7,568,472</b>	<b>68,978</b>	<b>122,119</b>	<b>-</b>	<b>13,242,530</b>	<b>(1,799,240)</b>
<b>Change in Net Position</b>	<b>2,832,846</b>	<b>8,061,002</b>	<b>(458,525)</b>	<b>2,218,684</b>	<b>729,535</b>	<b>13,383,542</b>	<b>6,726,595</b>
<b>Beginning Net Position</b>	<b>66,797,666</b>	<b>30,523,265</b>	<b>6,043,367</b>	<b>1,434,961</b>	<b>262,241</b>	<b>105,061,500</b>	<b>99,539,705</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,204,800)</b>
<b>Beginning Net Position as Restated</b>	<b>66,797,666</b>	<b>30,523,265</b>	<b>6,043,367</b>	<b>1,434,961</b>	<b>262,241</b>	<b>105,061,500</b>	<b>98,334,905</b>
<b>Ending Net Position</b>	<b>\$ 69,630,512</b>	<b>\$ 38,584,267</b>	<b>\$ 5,584,842</b>	<b>\$ 3,653,645</b>	<b>\$ 991,776</b>	<b>\$ 118,445,042</b>	<b>\$ 105,061,500</b>





# **California Joint Powers Insurance Authority**

8081 Moody Street  
La Palma, CA 90623

800.229.2343

[cjpia.org](http://cjpia.org)