Financial Statements
June 30, 2022

California Insurance Pool Authority

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Janet Kiser	Kiser & Company	General Manager

Independent Auditor's Report

The Board of Directors
California Insurance Pool Authority
Newport Beach, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the California Insurance Pool Authority (CIPA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise CIPA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of CIPA, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CIPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with *GAAS* and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *GAAS* and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CIPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CIPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CIPA's basic financial statements. The combining statement of net position and combining statement of revenues, expenses, and changes in fund net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position and combining statement of revenues, expenses, and changes in fund net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. We have previously audited the 2021 financial statements of CIPA, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022, on our consideration of CIPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CIPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CIPA's internal control over financial reporting and compliance.

Eide Bailly LLP

Laguna Hills, California
October 19, 2022

Management's Discussion and Analysis

Description of the Basic Financial Statements

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

Statement of Net Position

The Statement of Net Position provides information on all CIPA program assets and liabilities, with the difference reported as Net Position as summarized below:

	2022	2021	Change	% Change
Total Assets	$ 51,503,974	$ 49,044,203	$ 2,459,771	5.0%
Total Liabilities	$ 38,246,062	$ 36,473,127	$ 1,772,935	4.9%
Net Position	$ 13,257,912	$ 12,571,076	$ 686,836	5.5%

Current assets remained flat with a slight decrease of $52,268. Noncurrent assets increased $2,512,039 as new investments, including a $2,000,000 transfer from LAIF to the investment portfolio, were placed in longer-term investments.

Liabilities

Current liabilities also remained flat with a reduction of $73,059 as a result of a reduction in the workers' compensation payroll adjustment due from members. Noncurrent liabilities increased $1,846,443 (6.07%) driven by adverse claims development in the workers' compensation program.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents information showing total revenues versus total expenses and the resulting effect on Net Position as summarized below:

Operating Revenues/Expenses	2022	2021	Change	% Change
Total Operating Revenues	$ 8,826,274	$ 6,093,027	$ 2,733,247	44.9%
Total Operating Expenses	$ 6,186,580	$ 9,389,709	$ (3,203,129)	-34.1%
Operating Income (Loss)	$ 2,639,694	$ (3,296,682)	$ 5,936,376	180.1%
Nonoperating Revenues (Losses)				
Investment Income	$ (1,952,858)	$ 103,872	$ (2,056,730)	-1980.1%
Changes in Net Position	$ 686,836	$ (3,192,810)	$ 3,879,646	-121.5%

Operating Revenues

Total operating revenues increased $2,733,247 (44.9%). Excluding last year's $1,067,510 outstanding assessments, the increase in operating revenue was $1,665,737. Contributions to the liability pooled program included an increase in the confidence level from 75% to an 80% in lieu of assessments.

Excess insurance premiums increased 29.6% as the hard insurance market continues. The joint purchase insurance programs include property, earthquake, flood, cyber, pollution and crime coverages. The overall premium for joint purchased programs increased 11.4% which included increases in insurable values.

Operating Revenue	2022	2021	Change	% Change
Contributions	$ 17,642,358	$ 14,346,920	$ 3,295,438	23.0%
Contributions Prior Year Assessments	$ -	$ (1,067,510)	$ 1,067,510	100.0%
Excess Insurance	$ (5,770,972)	$ (4,453,536)	$ 1,317,436	29.6%
Joint Purchase Insurance	$ (3,045,112)	$ (2,732,847)	$ 312,265	11.4%
Total Operating Revenues	$ 8,826,274	$ 6,093,027	$ 2,733,247	44.9%

Operating Expenses

Operating expenses declined by $3,203,12 compared to the prior year. This year, the provision for loss reserves in the liability program increased $373,681 compared to $970,171 last year. The workers' compensation provision for loss reserves increased $1,472,762 compared to $3,770,505 last year.

Administration fees, including risk management services increased $118,370 due to an adjustment in risk management service fees, liability and workers' compensation claims audits were both performed during the year, and there was an increase in safety services utilized by members.

Nonoperating Revenues (Losses)

Nonoperating revenues declined by $2,056,730 driven by an additional reduction of $2,200,926 in the market value of investments. The total market value adjustment was a negative $2,649,422 at year-end.

Investment earnings net of fees were also lower by $129,177 (15.6%) compared to the prior fiscal year.

Cash & Cash Equivalents, and Investments

Investments in LAIF increased $2,716,333 which increased cash and cash equivalents. The increase in LAIF was offset by a reduction in cash equivalents and the bank account balance.

	2022	2021	Change	% Change
Cash & Cash Equivalents	$ 6,718,040	$ 4,309,623	$ 2,408,417	55.9%
Short Term Investments	$ 5,039,275	$ 7,415,872	$ (2,376,597)	-32.0%
Noncurrent Investments	$ 39,716,205	$ 37,204,166	$ 2,512,039	6.8%
Total	$ 51,473,520	$ 49,044,203	$ 2,543,859	5.2%

At the beginning of the fiscal year, premiums were collected for amounts due to the pooled programs and commercial insurance carriers. The amount collected for the pooled programs was $6,647,55 and $2,000,000 of this was transferred to the investment portfolio, with the remainder to LAIF. Given the low interest rate earned in the investment portfolio, the investment advisor recommended, and the Board approved of maintaining the majority of collected premium in LAIF until the investment climate improves. As funds in the investment portfolio have matured, they have been placed in noncurrent investments.

The one-year rate of return on investments was a negative 3.99% compared to 0.24% in the prior year. The one-year LAIF rate of return dropped from 0.52% to 0.35%.

Liability Program

The liability program's net position increased by $1,620,570 (25.7%) compared to the prior year:

	2022	2021	Change	% Change
Total Assets	$ 25,432,014	$ 23,438,195	$ 1,993,819	8.5%
Total Liabilities	$ 17,499,679	$ 17,126,430	$ 373,249	2.2%
Net Position	$ 7,932,335	$ 6,311,765	$ 1,620,570	25.7%

Total assets increased due to the collection of liability pool contributions during the year and a reduction of $540,940 in claim payments compared to the prior year.

Operating income improved by $3,430,618 compared to the operating loss in the prior year.

	2022	2021	Change	% Change
Operating Revenues	$ 6,085,450	$ 3,717,515	$ 2,367,935	63.7%
Operating Expenses	$ 3,575,259	$ 4,637,942	$ (1,062,683)	-22.9%
Operating Income (Loss)	$ 2,510,191	$ (920,427)	$ 3,430,618	372.7%
Nonoperating Revenues (Losses)				
Investment Income	$ (889,621)	$ 53,200	$ (942,821)	-1772.2%
Change in Net Position	$ 1,620,570	$ (867,227)	$ 3,430,618	-395.6%

Operating expenses include claim payments of $2,855,087, a 15.9% reduction compared to the prior year. The provision for loss reserve also improved compared to the prior year with an increase of $373,681 compared to $970,171. Administrative costs increased $74,681.

Investment income declined $942,821 compared to last year as a result of negative interest rates earned and market value adjustment.

Workers' Compensation Program

The workers' compensation program's net position declined by $933,734 compared to the prior year:

	2022	2021	Change	% Change
Total Assets	$ 26,071,960	$ 25,606,008	$ 465,952	1.8%
Total Liabilities	$ 20,746,383	$ 19,346,697	$ 1,399,686	7.2%
Net Position	$ 5,325,577	$ 6,259,311	$ (933,734)	-14.9%

Changes in the net position compared to 2020/21 include the following:

- Total assets increased due to the collection of 2021/22 contributions.
- Total liabilities increased $1,399,686 due to the $1,472,762 increase in the provision for loss reserves caused by unfavorable claims development in the workers' compensation program as projected by the actuary. This year's increase in the provision for loss reserves follows last year's increase of $3,770,505.

Operating revenues composed of contributions to the pool increased 15.4% and excess premium increased 22%. Effective July 1, 2022, the Board of Directors approved of increasing the confidence level from 75% to 80%.

	2022	2021	Change	% Change
Operating Revenues	$ 2,740,824	$ 2,375,512	$ 365,312	15.4%
Operating Expenses	$ 2,611,321	$ 4,751,767	$ (2,140,446)	-45.0%
Operating Income (Loss)	$ 129,503	$ (2,376,255)	$ 2,505,758	105.4%
<u>Nonoperating Revenues (Losses)</u>				
Investment Income	$ (1,063,237)	$ 50,672	$ (1,113,909)	-2198.3%
Change in Net Position	$ (933,734)	$ (2,325,583)	$ 1,391,849	-59.8%

Operating expenses were $2,611,32. The $1,472,762 provision for loss reserves comprise the majority of the operating expenses, followed by $861,543 for claim payments and $277,016 for risk management and administrative fees.

Claim payments made during the year increased of 15.2%. The workers' compensation program has remained stable for several years and has began to trend up in the last two years.

Investment income was a negative $1,063,237 due to negative interest rates earned during the year and a market value adjustment.

Contacting CIPA's Financial Management

This financial report is designed to provide a general overview and accountability of finances for all those with an interest in CIPA's finances. If you have any questions about this report or need additional information, contact management at 366 San Miguel Drive, Suite 312, Newport Beach, California 92660.

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 6,718,040	4,309,623
Receivables	30,454	114,542
Short-term investments	5,039,275	7,415,872
Total current assets	11,787,769	11,840,037
Noncurrent Assets		
Investments	39,716,205	37,204,166
Total noncurrent assets	39,716,205	37,204,166
Total assets	51,503,974	49,044,203
Liabilities		
Current Liabilities		
Accounts payable	6,512	3,961
Due members	45,038	121,097
Current portion of unpaid claims and claim adjustment liability	5,922,330	5,922,330
Total current liabilities	5,973,880	6,047,388
Unpaid claims and claim adjustment liability, noncurrent portion	32,272,182	30,425,739
Total liabilities	38,246,062	36,473,127
Net Position		
Unrestricted	13,257,912	12,571,076
Total net position	$ 13,257,912	12,571,076

	2022	2021
Operating Revenues		
Contributions	$ 17,642,358	14,346,920
Change in billed assessments	-	(1,067,510)
Excess insurance	(5,770,972)	(4,453,536)
Joint purchase insurance	(3,045,112)	(2,732,847)
Total operating revenues	8,826,274	6,093,027
Operating Expenses		
Claims paid	3,716,630	4,143,962
Provision for loss reserves	1,846,443	4,740,676
Litigation management	31,854	31,788
Risk management services	419,030	343,578
Administration expenses	172,623	129,705
Total operating expenses	6,186,580	9,389,709
Operating income (loss)	2,639,694	(3,296,682)
Nonoperating revenues (losses)		
Investment earnings (losses) net of fees	(1,952,858)	103,872
Increase (Decrease) in Net Position	686,836	(3,192,810)
Net Position, Beginning of Year	12,571,076	15,763,886
Net Position, End of Year	$ 13,257,912	12,571,076

California Insurance Pool Authority

Statement of Cash Flows

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Operating Activities		
Cash received from members	$ 17,650,387	$14,553,324
Cash paid for claims and settlements	(3,716,630)	(4,143,962)
Cash paid for insurance	(8,816,084)	(7,186,383)
Cash paid to suppliers for goods and services	(620,956)	(509,295)
Net Cash Provided by Operating Activities	4,496,717	2,713,684
Investing Activities		
Purchase of investment securities	(10,027,710)	(19,319,371)
Proceeds from maturities and sales of investment securities	7,242,846	9,170,417
Interest income	696,564	825,723
Net Cash Used by Investing Activities	(2,088,300)	(9,323,231)
Net Increase/(Decrease) in Cash and Cash Equivalents	2,408,417	(6,609,547)
Cash and Cash Equivalents, Beginning of Year	4,309,623	10,919,170
Cash and Cash Equivalents, End of Year	$ 6,718,040	$ 4,309,623
Reconciliation of Operating Income/(Loss) to Net Cash Flows from Operating Activities		
Operating income/(loss)	$ 2,639,694	($3,296,682)
Adjustments to reconcile operating (loss)/income to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Decrease in receivables	84,088	1,160,927
Increase/(Decrease) in accounts payable	2,551	(4,224)
Increase in claims liabilities	1,846,443	4,740,676
Increase/(Decrease) in due members	(76,059)	112,987
Total adjustments	1,857,023	6,010,366
Net Cash Provided (Used) by Operating Activities	$ 4,496,717	$2,713,684

Note 1 - Summary of Significant Accounting Policies

A. General Description

California Insurance Pool Authority (CIPA) was established in 1978, under a Joint Powers Agreement pursuant to the provisions of Chapter 5 (beginning with Section 6500) of Division 7 of Title I of the State of California Government Code, for the purpose of reducing insurance costs through the joint purchase of liability insurance. In 1986, the liability program shifted to a “pooling” format. CIPA has group purchased excess workers’ compensation insurance since 1986. In response to adverse market conditions, CIPA established a workers’ compensation pool beginning June 1, 2002.

Since CIPA’s inception, group purchase options have been broadened to include Property, Earthquake, Boiler & Machinery, Pollution and Cyber Liability, and Faithful Performance Bond. These fully insured policies are offered through joint purchase programs. Premium savings result from the group purchase of these policies and provide a well-rounded program to meet the insurance needs of Member Cities.

The Liability self-insured retention (SIR) for each Member City ranges between $150,000 to $1,000,000. Higher SIR’s are available and new members are offered SIR’s no lower than $300,000. CIPA pools liability between the Members’ SIR’s and $3,000,000, except for the City of Whittier with a pool retention of $5,000,000. With the addition of commercial reinsurance and excess insurance, total limits of $43,000,000 per occurrence and in the aggregate are afforded to each Member.

The current Workers’ Compensation SIR for each Member City ranges between $300,000 and $500,000. CIPA group purchased excess workers’ compensation coverage with a limit of $50,000,000 above CIPA’s pooled retention prior to July 1, 2018. Statutory limits have been group purchased since July 1, 2018.

The thirteen Members of CIPA operate within the guidelines of the Joint Powers Agreement which is approved by each Member’s elected officials. The financial and operating responsibilities are shared by all Members through a system of Member committees, management and consultants.

As of June 30, 2022, membership in CIPA was as follows:

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

Admission

A new Member may be accepted upon application to CIPA and upon acceptance by the Board by two-thirds vote, and subject to acceptance by the prospective member of the financial arrangements, fund contributions and such other conditions as may be specified by the Board, consistent with the Joint Powers Agreement.

Withdrawal/Termination

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

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

B. Description of Fund

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

C. Reporting Entity

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

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

D. Basis of Accounting

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

E. Cash and Cash Equivalents

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

F. Allowance for Doubtful Accounts

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

G. Investment Valuation

CIPA recognizes the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CIPA reported an unrealized loss in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, during the year ended June 30, 2022 in the amount of $2,649,422. The unrealized loss is reported with other investment earnings as part of nonoperating revenues (losses).

H. Unpaid Claims and Claim Adjustment Liabilities

CIPA establishes claim liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled. The estimated amount of aggregate excess insurance recoverable on unpaid claims is deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically at an expected confidence level using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they become known.

I. Unallocated Loss Adjustment Expenses

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

Accounting standards require that ULAE be included in financial statements. CIPA has recorded $150,000 for ULAE as of June 30, 2022.

J. Operating Revenues

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

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

K. Contribution Income

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

On February 18, 2021, the CIPA Board of Directors approved increasing the liability program funding from a 75% confidence level to 80% beginning with fiscal year 2021-22 premiums, and removed the assessment receivable. On January 26, 2022, the CIPA Board of Directors approved increasing the Workers Compensation program funding from a 75% confidence level to 80% beginning with fiscal year 2022-23 premiums, and removed the assessment receivable.

L. Income Taxes

CIPA's income is exempt from federal and state income taxes under Internal Revenue Code Section 115 and the corresponding section of the *California Revenue and Taxation Code*.

M. Use of Estimates

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

N. Comparative Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in CIPA's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CIPA's financial statements for the year ended June 30, 2021, from which this selected financial data was derived.

Note 2 - Cash and Investments

Cash and investments consisted of the following at June 30:

	2022	2021
Balance per bank	$ 75,631	$ 275,510
Less: Outstanding checks	(295,970)	(260,036)
Balance per books	(220,339)	15,474
Cash on hand	1,000	1,000
Cash on hand and in bank	(219,339)	16,474
Pooled Funds		
Local Agency Investment Fund	6,807,700	4,091,367
Money Market Funds	129,679	201,782
Total cash and equivalents	6,718,040	4,309,623
Pooled Funds		
Investments	44,755,480	44,620,038
Total cash and investments	$ 51,473,520	$ 48,929,661

A. Cash and Equivalents

Cash in Bank

The carrying amount of CIPA's cash is covered by Federal depository insurance up to $250,000. As of June 30, 2022, CIPA's deposits with financial institutions are not in excess of Federal depository insurance limits.

Custodial Credit Risk

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

Local Agency Investment Fund

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

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. The value of the LAIF deposits as of June 30, 2022, was $6,807,700 and had a weighted average maturity of 311 days. LAIF is not rated as to credit risk by a nationally recognized statistical rating organization.

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

B. Investments

Authorized Deposits/Investments

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

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

*LAIF has a $75 million maximum investment limit per account

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. CIPA's investment policy contains policy requirements that would limit the exposure to custodial credit risk for investments. Securities purchased from brokers/dealers shall be held in third party safekeeping by the trust department of CIPA's bank or other trustee. Securities are to be held in the name of CIPA and are to be purchased on a delivery vs. payment (DVP) basis only. Investments with various federal agencies, mortgage obligations, asset backed securities, corporate notes, and supranationals with a fair value of $44,755,480 at June 30, 2022, are held by CIPA's custodian bank.

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2022, CIPA had the following investments:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months
U.S. Treasury Obligations	$ 14,272,894	$ 350,171	$ 4,079,651	$ 9,843,072
U.S. Agency Securities	12,441,567	3,549,145	3,969,920	4,922,502
Mortgage Obligations/Asset Backed Securities	6,108,197	39,103	614,313	5,454,781
Corporate Notes	10,390,623	817,059	2,726,689	6,846,875
Municipal Securities	220,550	-	-	220,550
Supranationals	1,321,649	283,797	115,657	922,195
Total	$ 44,755,480	$ 5,039,275	$ 11,506,230	$ 28,209,975

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

	2022	2021
Current Investments	$ 5,039,275	$ 7,415,872
Non-current Investments	39,716,205	37,204,166
Total investments	$ 44,755,480	$ 44,620,038

Disclosures Relating to Credit Risk

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

Investment Type	Fair Value	S&P/Moody's Legal Rating	Exempt from Disclosure	Ratings as of June 30: Aaa*	Aa1-Aa3	A1	A2	A3
U.S. Treasury Obligations	$ 14,272,894	N/A	$ 14,272,894	$ -	$ -	$ -	$ -	$ -
U.S. Agency Securities	12,441,567	N/A	-	12,441,567	-	-	-	-
Mortgage Obligations/Asset Backed Securities	6,108,197	AA/Aa2	-	6,108,197	-	-	-	-
Corporate Notes	10,390,623	A/A2	-	360,131	775,016	3,768,111	4,920,672	566,693
Municipal Securities	220,550	A/A2	-	-	220,550	-	-	-
Supranationals	1,321,649	AA/Aa2	-	1,321,649	-	-	-	-
Total	$ 44,755,480		$ 14,272,894	$ 20,231,544	$ 995,566	$ 3,768,111	$ 4,920,672	$ 566,693

*$2,086,683 of securities are rated as AAA by S&P, but not rated by Moody's. $724,776 of securities are rated AAA by Fitch, but not rated by Moody's or S&P.

Concentration of Credit Risk

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

Issuer	Investment Type	Fair Value
Federal National Mortgage Association	U.S. Agency Securities	$ 4,246,108
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	5,734,654

Fair Value Measurements

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

Investment fair value measurements as of June 30, 2022 are as follows:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Obligations	$ 14,272,894	$ -	$ 14,272,894	$ -
U.S. Agency Securities	12,441,567	-	12,441,567	-
Mortgage Obligations/Asset Backed Securities	6,108,197	-	6,108,197	-
Corporate Notes	10,390,623	-	10,390,623	-
Municipal Securities	220,550	-	220,550	-
Supranationals	1,321,649	-	1,321,649	-
Total	$ 44,755,480	$ -	$ 44,755,480	$ -

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

Note 3 - Receivables

Receivables at June 30, 2022, consisted of the following:

Interest receivable and other receivable	$ 13,709
Member assessments	16,745
Current receivables	$ 30,454

Note 4 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

Payables	$ 6,512

Note 5 - Reconciliation of Claims Liability

As discussed in Note 1, CIPA establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for CIPA during the fiscal year ended June 30:

	2022	2021
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	$ 36,348,069	$ 31,607,393
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	6,384,891	7,240,666
Increase/(decrease) in provision for insured events of prior fiscal years	(821,818)	1,643,972
Total incurred claims and claim adjustment expenses	5,563,073	8,884,638
Payments		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	3,716,630	4,143,962
	$ 38,194,512	$ 36,348,069

Changes in claims development of $(821,818) and $1,643,972 for the years ended June 30, 2022 and 2021, respectively, was primarily attributable to ongoing analysis of additional information that became available regarding the ultimate losses incurred for previous years.

The components of the unpaid claims and claim adjustment expenses as of June 30, 2022 and 2021, were as follows:

	2022	2021
Total	$ 38,194,512	$ 36,348,069
Current portion of unpaid claims and claim adjustment expenses	(5,922,330)	(5,922,330)
Unpaid claims and claim adjustment expenses, noncurrent	$ 32,272,182	$ 30,425,739

At June 30, 2022 and 2021, estimated unpaid losses of $41,656,418 and $39,687,508, respectively, are reflected at their net present values of $38,044,512 and $36,198,069, respectively, plus ULAE of $150,000 and $150,000, respectively. At June 30, 2022 and 2021, unpaid losses are discounted at three percent.

Note 6 - Commitments and Contingencies

Litigation

CIPA is involved in various litigation from time to time arising from the normal course of business. In the opinion of management and legal counsel, CIPA is not involved in any litigation that is expected to have a material adverse effect on the overall financial position of CIPA at June 30, 2022.

Required Supplementary Information
June 30, 2022

California Insurance Pool Authority

	Liability	
	Current Year	Prior Year
Unpaid claims and claim adjustment liability at beginning of the fiscal year	$ 17,120,949	$ 16,150,778
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	4,281,427	4,759,095
Increase (decrease) in provision for insured events of prior fiscal years	(1,052,659)	(392,897)
Total incurred claims and claim adjustment expenses	3,228,768	4,366,198
Payments		
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	2,855,087	3,396,027
Total unpaid claims and claim adjustment liability at end of the fiscal year	$ 17,494,630	$ 17,120,949

Workers' Compensation		Total	
Current Year	Prior Year	Current Year	Prior Year
$ 19,227,120	$ 15,456,615	$ 36,348,069	$ 31,607,393
2,103,464	2,481,571	6,384,891	7,240,666
230,841	2,036,869	(821,818)	1,643,972
2,334,305	4,518,440	5,563,073	8,884,638
861,543	747,935	3,716,630	4,143,962
$ 20,699,882	$ 19,227,120	$ 38,194,512	$ 36,348,069

The following table illustrates how CIPA's earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurance) and other expenses assumed by CIPA as of the end of each of the past years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurance, and net earned contribution revenue and reported investment revenue. (2) This line shows each fiscal year's other operating costs of CIPA including overhead and claims expense not allocable to individual claims. (3) This line shows CIPA's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurance, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year. (5) This line shows the latest re-estimated amount of claims assumed by excess insurance as of the end of the current year for each accident year. (6) This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known). (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

		June 30,									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
(1)	Required Contribution and Investment Revenue:										
	Earned	$ 4,773,505	$ 5,934,271	$ 5,505,079	$ 6,628,269	$ 6,810,107	$ 7,310,953	$ 7,727,141	$ 10,141,769	$ 10,422,640	$ 13,355,553
	Dividends	(421,549)	(482,930)	(482,930)	(275,395)	-	-	-	-	-	-
	Ceded	(2,989,114)	(3,281,099)	(3,301,185)	(3,298,158)	(2,955,692)	(3,044,735)	(3,092,119)	(3,942,984)	(6,651,925)	(8,159,724)
	Net earned	1,362,842	2,170,242	1,720,964	3,054,716	3,854,415	4,266,218	4,635,022	6,198,785	3,770,715	5,195,829
(2)	Unallocated Expenses	232,446	195,955	225,700	213,627	266,327	307,722	310,161	323,561	271,744	346,491
(3)	Estimated Claims and Expenses, End of Policy Year:										
	Incurred	1,990,342	2,039,108	2,124,337	2,586,954	4,158,066	3,302,893	3,683,231	4,828,464	4,759,095	4,281,427
	Net incurred	1,990,342	2,039,108	2,124,337	2,586,954	4,158,066	3,302,893	3,683,231	4,828,464	4,759,095	4,281,427
(4)	Net Paid (cumulative as of):										
	June 30, 2013	-	-	-	-	-	-	-	-	-	-
	June 30, 2014	-	-	-	-	-	-	-	-	-	-
	June 30, 2015	-	-	-	-	-	-	-	-	-	-
	June 30, 2016	112,359	-	47,177	-	-	-	-	-	-	-
	June 30, 2017	489,275	452,431	3,250,000	-	-	-	-	-	-	-
	June 30, 2018	1,210,202	452,431	3,750,000	-	-	-	-	-	-	-
	June 30, 2019	2,610,882	452,431	3,750,000	-	2,604,997	-	-	-	-	-
	June 30, 2020	2,761,127	452,431	3,750,000	-	5,205,859	-	30,012	-	-	-
	June 30, 2021	2,761,127	452,431	3,750,000	-	7,707,546	49,250	30,012	840,901	-	-
	June 30, 2022	1,360,447	452,431	3,750,000	-	9,108,226	261,763	30,012	3,484,774	-	-
(5)	Re-Estimated Ceded Claims and Expenses	-	-	-	-	-	-	-	-	-	-
(6)	Re-Estimated Net Incurred Claims and Expenses:										
	June 30, 2013	1,990,342	-	-	-	-	-	-	-	-	-
	June 30, 2014	1,309,025	2,039,108	-	-	-	-	-	-	-	-
	June 30, 2015	1,599,713	2,277,242	2,124,337	-	-	-	-	-	-	-
	June 30, 2016	3,451,186	1,503,056	2,505,722	2,586,954	-	-	-	-	-	-
	June 30, 2017	3,568,539	1,309,302	5,057,264	2,688,943	4,158,066	-	-	-	-	-
	June 30, 2018	3,422,714	1,077,445	5,126,370	2,390,792	4,119,308	3,302,893	-	-	-	-
	June 30, 2019	3,048,371	945,198	5,061,649	-	6,365,351	3,643,811	3,683,231	-	-	-
	June 30, 2020	2,761,127	888,269	3,750,000	500,077	9,190,300	3,477,090	3,633,483	4,828,464	-	-
	June 30, 2021	2,761,127	812,084	3,750,000	362,394	8,234,468	2,313,076	1,995,179	8,583,813	4,759,095	-
	June 30, 2022	1,360,447	452,431	3,750,000	-	9,207,927	336,460	1,794,691	10,772,080	4,727,703	4,281,427
(7)	(Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	$ 629,895	$ 1,586,677	$ (1,625,663)	$ 2,586,954	$ (5,049,861)	$ 2,966,433	$ 1,888,540	$ (5,943,616)	$ 31,392	$ -

	June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
(1) Required Contribution and Investment Revenue:										
Earned	$ 1,696,012	$ 2,057,613	$ 3,801,453	$ 1,693,311	$ 1,783,285	$ 2,685,536	$ 4,007,264	$ 3,957,182	$ 2,960,642	$ 2,333,947
Ceded	(426,307)	(406,157)	(458,363)	(293,113)	(313,282)	(322,683)	(529,004)	(534,163)	(534,458)	(656,360)
Net earned	1,269,705	1,651,456	3,343,090	1,400,198	1,470,003	2,362,853	3,478,260	3,423,019	2,426,184	1,677,587
(2) Unallocated Expenses	135,295	139,883	151,775	153,008	153,663	160,337	226,043	223,353	233,327	277,016
(3) Estimated Claims and Expenses, End of Policy Year:										
Incurred	862,234	1,367,907	1,630,425	1,982,104	2,052,233	2,597,318	2,079,481	2,002,932	2,481,571	2,103,464
Net incurred	862,234	1,367,907	1,630,425	1,982,104	2,052,233	2,597,318	2,079,481	2,002,932	2,481,571	2,103,464
(4) Net Paid (cumulative as of):										
June 30, 2013	-	-	-	-	-	-	-	-	-	-
June 30, 2014	-	-	-	-	-	-	-	-	-	-
June 30, 2015	-	-	-	-	-	-	-	-	-	-
June 30, 2016	2,692	-	258,457	-	-	-	-	-	-	-
June 30, 2017	26,753	-	263,728	-	-	-	-	-	-	-
June 30, 2018	29,525	-	276,162	-	-	-	-	-	-	-
June 30, 2019	58,016	-	298,871	-	52,081	-	-	-	-	-
June 30, 2020	63,477	-	367,431	101,724	206,789	328,055	-	-	-	-
June 30, 2021	70,115	-	420,395	271,049	370,849	401,723	-	-	-	-
June 30, 2022	74,901	8,959	475,348	437,763	476,397	463,123	-	-	-	-
(5) Re-Estimated Ceded Claims	-	-	-	-	-	-	-	-	-	-
(6) Re-Estimated Net Incurred Claims and Expenses:										
June 30, 2013	862,234	-	-	-	-	-	-	-	-	-
June 30, 2014	1,162,429	1,367,907	-	-	-	-	-	-	-	-
June 30, 2015	876,466	921,243	1,630,425	-	-	-	-	-	-	-
June 30, 2016	779,083	919,974	1,219,075	1,982,104	-	-	-	-	-	-
June 30, 2017	666,166	810,166	1,268,907	1,874,410	2,052,233	-	-	-	-	-
June 30, 2018	357,896	698,104	1,293,547	1,509,091	2,019,011	2,597,318	-	-	-	-
June 30, 2019	1,139,499	425,113	1,463,683	1,440,734	2,088,997	2,684,790	2,079,481	-	-	-
June 30, 2020	1,134,328	548,806	1,461,840	1,441,984	2,066,160	2,583,095	2,070,942	2,002,932	-	-
June 30, 2021	1,116,829	642,669	1,801,886	2,291,435	2,546,413	2,611,176	2,111,157	1,980,129	2,481,571	-
June 30, 2022	718,110	609,868	1,874,525	2,546,033	3,096,307	2,561,920	1,838,246	1,842,798	2,370,099	2,103,464
(7) (Increase) Decrease in Estimated Incurred Claims and Expenses from the End of the Policy Year	$ 144,124	$ 758,039	$ (244,100)	$ (563,929)	$ (1,044,074)	$ 35,398	$ 241,235	$ 160,134	$ 111,472	$ -

Supplementary Information
June 30, 2022

California Insurance Pool Authority

	Liability	Workers' Compensation	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 5,545,637	$ 1,172,403	$ 6,718,040
Receivables	11,035	19,419	30,454
Short-term investments	2,237,858	2,801,417	5,039,275
Total current assets	7,794,530	3,993,239	11,787,769
Noncurrent Assets			
Investments	17,637,484	22,078,721	39,716,205
Total noncurrent assets	17,637,484	22,078,721	39,716,205
Total assets	25,432,014	26,071,960	51,503,974
Liabilities			
Current Liabilities			
Accounts payable	5,049	1,463	6,512
Due members	-	45,038	45,038
Current portion of unpaid claims and claim adjustment liability	4,854,369	1,067,961	5,922,330
Total current liabilities	4,859,418	1,114,462	5,973,880
Unpaid claims and claim adjustment liability, noncurrent portion	12,640,261	19,631,921	32,272,182
Total liabilities	17,499,679	20,746,383	38,246,062
Net Position			
Unrestricted	7,932,335	5,325,577	13,257,912
Total net position	$ 7,932,335	$ 5,325,577	$ 13,257,912

	Liability	Workers' Compensation	Total
Operating Revenues			
Contributions	$ 14,245,174	$ 3,397,184	$ 17,642,358
Excess insurance	(5,114,612)	(656,360)	(5,770,972)
Joint purchase insurance	(3,045,112)	-	(3,045,112)
Total operating revenues	6,085,450	2,740,824	8,826,274
Operating Expenses			
Claims paid	2,855,087	861,543	3,716,630
Provision for loss reserves	373,681	1,472,762	1,846,443
Litigation management	31,854	-	31,854
Risk management services	209,515	209,515	419,030
Administration expenses	105,122	67,501	172,623
Total operating expenses	3,575,259	2,611,321	6,186,580
Operating income	2,510,191	129,503	2,639,694
Nonoperating revenues (losses)			
Investment earnings (losses) net of fees	(889,621)	(1,063,237)	(1,952,858)
(Decrease) in Net Position	1,620,570	(933,734)	686,836
Net Position, Beginning of Year	6,311,765	6,259,311	12,571,076
Net Position, End of Year	$ 7,932,335	$ 5,325,577	$ 13,257,912

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

The Board of Directors
California Insurance Pool Authority
Newport Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Insurance Pool Authority (CIPA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise CIPA's basic financial statements, and have issued our report thereon dated October 19, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Laguna Hills, California
October 19, 2022