



Financial Statements
June 30, 2023 and 2022

Northern Orange County Liability and Property Self Insurance Authority

Northern Orange County Liability and Property Self Insurance Authority

Anaheim, California

Board of Directors

June 30, 2023

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Northern Orange County Liability and Property Self Insurance Authority

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Independent Auditor's Report

The Board of Directors
Northern Orange County Liability and Property Self Insurance Authority
Anaheim, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern Orange County Liability and Property Self-Insurance Authority (NOCLPSIA), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Northern Orange County Liability and Property Self-Insurance Authority as of June 30, 2023 and 2022, and the results of its operations and cash flows for the years 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 NOCLPSIA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 NOCLPSIA'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 judgement 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 including 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 NOCLPSIA'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about NOCLPSIA'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 were identified during the audit.

Required Supplementary Information

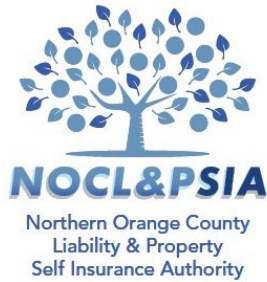
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and claims development information be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023 on our consideration of the NOCLPSIA'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 NOCLPSIA's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NOCLPSIA's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Eric Bailly LLP".

Rancho Cucamonga, California
November 8, 2023



This discussion and analysis provides an overview of the financial condition of Northern Orange County Liability and Property Self Insurance Authority (NOCLPSIA) for the fiscal years ended June 30, 2023 and June 30, 2022. It examines and reviews NOCLPSIA's financial operations and analyzes the significant financial changes from the prior year. Readers should review the financial management information report and the independent financial audit in conjunction with this report to enhance their understanding of NOCLPSIA's financial performance.

Introduction and Background:

NOCLPSIA is a public risk sharing pool established pursuant to a Joint Power Agreement effective August 1, 1979, for the purpose of self-funding property and liability claims. Participation in NOCLPSIA gives members the advantage of pooled member contributions, sharing of claim liability risk and purchase of insurance at a lower cost. NOCLPSIA's membership consists of 13 individual member districts from the Northern Orange County area. A Full Board of Directors comprised of one representative from each member governs NOCLPSIA. Each member has one vote. The Board elects from its members a President, Vice President, and Secretary/Treasurer.

NOCLPSIA can retain a degree of control over their rate structure adding to the stability and longevity of their program. NOCLPSIA operates on a fiscal/program year from July 1st through June 30th with each program year operating separately from every other program year. By tracking financial activity by program year, only the members participating in a given program year receive potential rebates or assessments. At the same time, other items such as administrative expenses and investment income can be accurately allocated to the proper program years' pooled equity or deficit.

Since its inception, NOCLPSIA has also been proactive in controlling its costs by developing a comprehensive risk management program and safety credit reimbursement plan. The purpose of the reimbursement plan is to provide a fund for each member to designate their portion of rebates and additional contributions. This fund is then utilized at the discretion of the members for reimbursement and implementation of various safety and loss control programs within their districts.

Accredited with excellence by the California Association of Joint Powers Authorities (CAJPA), NOCLPSIA continues to maintain a high level of performance, member satisfaction, and fiscal stewardship among organizations of its kind.

Mission Statement:

"The mission of Northern Orange County Liability and Property Self-Insurance Authority is to provide its members with comprehensive property and liability coverage utilizing both risk retention and risk transfer through its collective resources. The authority will provide stable rates and specialized risk management services."

Program Structure:

NOCLPSIA participates in Southern California Regional Liability Excess Fund (SCR), a risk pooling solution, for excess coverage at a Member Retained Limit (MRL) of \$25,000 per occurrence for property and liability. NOCLPSIA self-insures its property claims up to \$25,000 per occurrence and liability claims up to \$25,000 per occurrence. SCR pools for the first \$250,000 of a property loss including the MRL and purchases reinsurance for property claims up to \$500,000,000 in excess of \$250,000. SCR pools for the first \$1,000,000 of a liability loss including the MRL and purchases reinsurance for liability claims up to \$24 million excess of \$1 million including member's MRL. Some members of the program purchased an additional \$25 million in excess liability coverage for excess liability limits to \$50,000,000.

Financial Management and Control:

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

NOCLPSIA has contracted with Keenan & Associates for administrative management responsibilities. These services include ensuring that NOCLPSIA meets its commitment to the members for operational efficiency, organizational integrity and for implementing policies established by the Board of Directors as set forth in organizational documents and bylaws. Service Enhancement Technologies (SETECH), a Division of Keenan & Associates, provides financial management and financial reporting to the Board. Budgetary control is provided by verification of budgeted amounts prior to expenses and the continued analysis of all account totals compared to budgeted amounts. Detailed financial statements and Treasurer's Reports include budget-to-actual comparisons and are provided to the NOCLPSIA Board on a quarterly basis. A comprehensive financial management information report is provided semi-annually and is the basis for the independent financial audit.

NOCLPSIA has also contracted with Bay Actuarial Consultants to provide an independent actuarial review of the overall program. This study confirms the adequacy and reasonableness of the liabilities recorded as outstanding claim reserves for all program years. Finally, Eide Bailly LLP Certified Public Accountants has performed an independent audit examination of the financial statements in accordance with generally accepted auditing standards.

NOCLPSIA's financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. The financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position provides information on NOCLPSIA's program assets and liabilities, with the difference reported as Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing total operating income versus operating expenses for fiscal years 2022-2023 and 2021-2022 and the resulting effect on Net Position. The Statement of Cash Flows provides a reconciliation of the change during the fiscal year 2022-2023 in cash and cash equivalents.

Northern Orange County Liability and Property Self Insurance Authority

Management's Discussion and Analysis

June 30, 2023 and 2022

NOCLPSIA calculates the financial position of each program year on the basis that each year stands on its own. Specifically, the funding determined necessary for each claim year is collected in that claim year, and all liabilities and expenses of each claim year are accounted for in the year they are incurred. At the close of each year, an evaluation of the Net Asset position of individual program years is conducted, and any funds remaining after considering outstanding liabilities and other obligations, are considered eligible for return to members in accordance with NOCLPSIA's Capital Target Policy adopted April 25, 2012 and reviewed annually.

Over NOCLPSIA's 44 years of operation, it has declared and returned to date net member experience rebates of \$6,156,999 and has received \$2,562,523 in net returns from So Cal ReLiEF.

FINANCIAL ANALYSIS

Condensed Statement of Net Position:

Below is a summary of the Statement of Net Position showing total assets versus total liabilities with a percentage of change from the 2021-2022 to the 2022-2023 program year.

	Fiscal Year Ended June 30,		Difference	Percentage
	2023	2022		
Assets				
Deposits and investments	\$ 3,261,344	\$ 3,201,522	\$ 59,822	1.87 %
Prepaid expense	1,000	1,000	-	-
Interest receivable	8,380	2,542	5,838	229.66
Member deductible receivable	62,736	79,718	(16,982)	(21.30)
Total assets	<u>3,333,460</u>	<u>3,284,782</u>	<u>48,678</u>	<u>1.48</u>
Liabilities				
Other liabilities and unearned revenue	925,134	1,093,589	(168,455)	(15.40)
Claims liabilities and ULAE	1,009,652	618,876	390,776	63.14
Total liabilities	<u>1,934,786</u>	<u>1,712,465</u>	<u>222,321</u>	<u>12.98</u>
Net Position				
Undesignated	524,040	1,048,884	(524,844)	(50.04)
Designated - capital target	874,634	523,433	351,201	67.10
Total net position	<u>\$ 1,398,674</u>	<u>\$ 1,572,317</u>	<u>\$ (173,643)</u>	<u>(11.04) %</u>

Northern Orange County Liability and Property Self Insurance Authority
 Management's Discussion and Analysis
 June 30, 2023 and 2022

Assets:

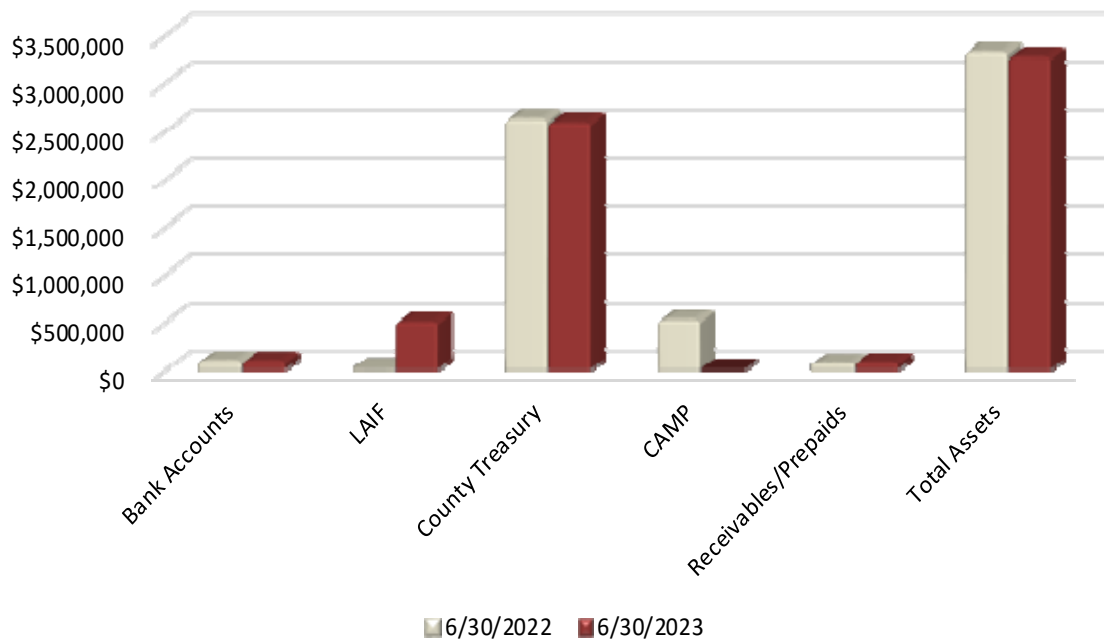
The assets of NOCLPSIA increased \$48,678 or 1.48% from \$3,284,782 on June 30, 2022, to \$3,333,460 on June 30, 2023, mainly due to:

- Retained Funding at 70% for 2022-2023 Program Year of \$261,854,
- Administrative expenditures below budget of \$75,673,
- Net investment income earned, with fair value adjustment, of \$44,056,

Offset by,

- Net cash activity in accounts payable, due to members and safety credit program in 2022-2023 of \$168,455,
- Net claims paid in 2022-2023 of \$164,450.

This increase in assets can be seen below:



The funds not necessary for the immediate payment of claims are invested in the Orange County Treasury. Those assets needed for current operations are maintained with California Asset Management Program (CAMP), the State of California Local Agency Investment Fund (LAIF), and U.S. Bank general and claim checking accounts.

Liabilities:

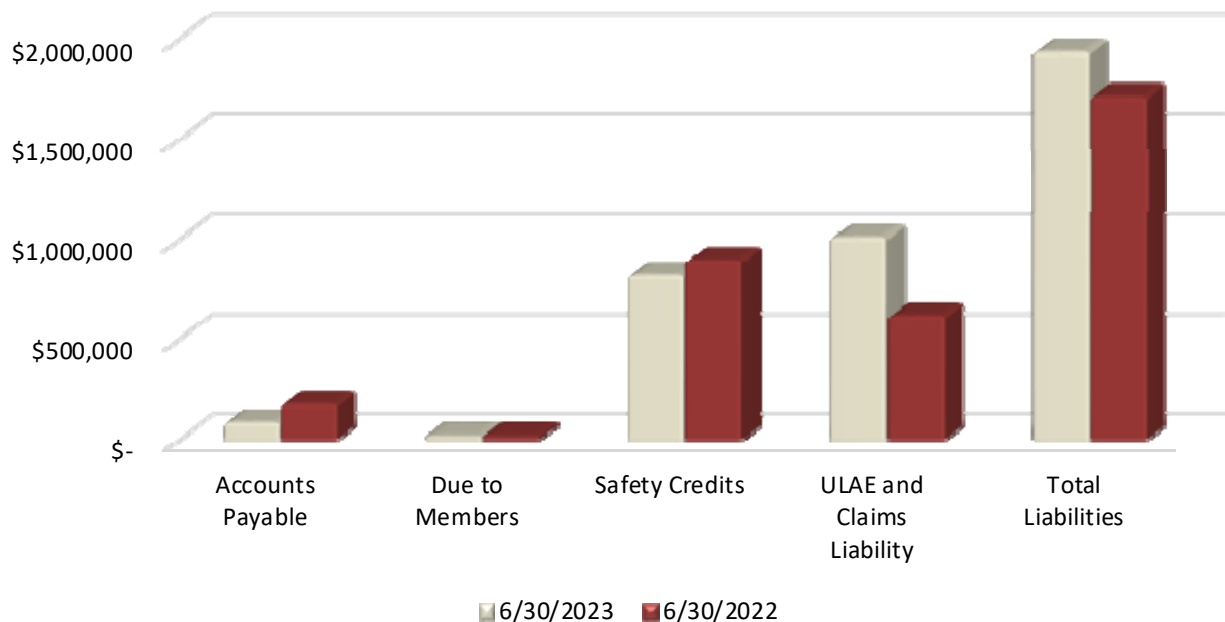
The overall liabilities of NOCLPSIA increased in 2022-2023 by \$222,321 or 12.98%, which is mainly attributed to:

- The recognition of the 2022-2023 actuarially determined estimated ultimate incurred of \$279,947,
- Based on the March 2023 actuarial study, recognized an increase to the actuarially determined estimated ultimate incurred of \$282,749 due to negative Incurred by Not Reported (IBNR), specifically for program years 1994-1995, 2019-2020, 2021-2022, and 2022-2023, this has been offset by a net decrease in the actuarially determined estimated ultimate incurred of \$114,125 for the program years 2021-2022 and prior,
- Increase in the Unallocated Loss Adjustment Expense (ULAE) of \$121,706,

Offset by,

- Claims paid in 2022-2023 of \$164,450,
- Net cash activity in accounts payable, due to members, and safety credit fund in 2022-2023 of \$168,455.

This decrease in liabilities can be seen below:



Net Position:

The net position of NOCLPSIA decreased in 2022-2023 by \$173,643 or 11.04%. This is largely attributed to:

- Increase in Estimated Ultimate for 2022-2023 of \$44,944,
- Based on the March 2023 actuarial study, recognized an increase to the actuarially determined estimated ultimate incurred of \$282,749 due to negative Incurred by Not Reported (IBNR), specifically for program years 1994-1995, 2019-2020, 2021-2022, and 2022-2023, this has been offset by a net decrease in the actuarially determined estimated ultimate incurred of \$114,125 for the program years 2021-2022 and prior,
- Increase in the ULAE of \$121,706,

Offset by,

- Contingency funding at 70% probability for 2022-2023 of \$26,851,
- Decrease in Estimated Ultimate for Program Years 2021-2022 and prior of \$114,125,
- Administrative expenditures below budget of \$75,673,
- Net investment income earned, with fair value adjustment, of \$44,056.

NOCLPSIA's undesignated net position of \$1,398,674 reflects an actuarially determined greater than 90% probability level funding of its outstanding liabilities. An 90% probability level funding means that there is only a 10% probability that the outstanding liability is higher or lower than the actuary's best estimate. While many actuarial funding recommendations are at the 70% probability level, the 90% probability level funding provides NOCLPSIA an increased probability of overall reserve adequacy. The following probability level funding recommendations are based upon the Bay Actuarial Consultants actuarial study dated March 2023:

70% probability level	\$ 13,737
80% probability level	\$ 24,040
90% probability level	\$ 41,212

In order to prevent premature release of the fund net position, NOCLPSIA has adopted a capital target policy that is reviewed annually. The capital target is set at an 80% probability level with a contingency margin of \$500,000 utilizing a five-year distribution method not including the current year. Once the fund balance is calculated, the sum of those funds is reduced by the capital target/contingency margin and the balance is identified for return to members upon approval by the Board of Directors.

Northern Orange County Liability and Property Self Insurance Authority
Management's Discussion and Analysis
June 30, 2023 and 2022

Statements of Income, Expenses, and Changes in Net Position:

Expenses exceeded income by \$173,643 in 2022-2023, resulting in a decrease to the net position of 11.04% as shown in the Condensed Statement of Income/Expenses shown below.

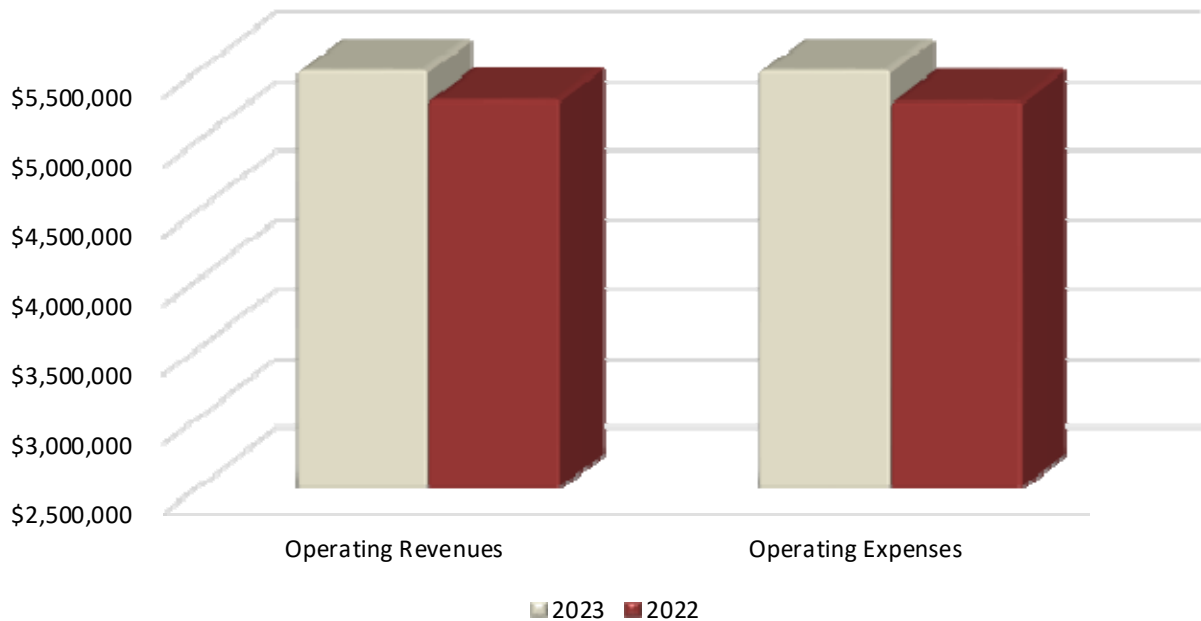
	Fiscal Year Ended June 30,		Difference	Percentage
	2023	2022		
Operating Revenues				
Contributions	\$ 5,773,208	\$ 5,484,804	\$ 288,404	5.26 %
Repayment of deductibles	(62,288)	(41,993)	(20,295)	48.33
Safety credit program	(23,340)	(148,588)	125,248	(84.29)
Total operating income	<u>5,687,580</u>	<u>5,294,223</u>	<u>393,357</u>	<u>7.43</u>
Operating Expenses				
Claims activity	555,226	311,396	243,830	78.30
Claims administration	56,190	56,900	(710)	(1.25)
Risk management fee	86,384	86,384	-	-
Operating costs	53,565	58,996	(5,431)	(9.21)
Excess insurance	5,153,914	4,768,650	385,264	8.08
Total operating expenses	<u>5,905,279</u>	<u>5,282,326</u>	<u>622,953</u>	<u>11.79</u>
Non-Operating Revenues (Expense)				
Investment income	70,288	12,779	57,509	450.03
Change in FMV	(26,232)	-	26,232	-
Total non operating revenues (expense)	<u>44,056</u>	<u>12,779</u>	<u>31,277</u>	<u>244.75</u>
Change in Net Position	(173,643)	24,676	(198,319)	(803.69)
Beginning Net Position	<u>1,572,317</u>	<u>1,547,641</u>	<u>24,676</u>	<u>1.59</u>
Ending Net Position	<u>\$ 1,398,674</u>	<u>\$ 1,572,317</u>	<u>\$ (173,643)</u>	<u>(11.04) %</u>

Total operating revenues consist of contributions received from members offset by contributions for accounts receivable recognized on June 30, 2022. Member Contributions have increased \$393,357 or 7.43% from \$5,294,223 in 2021-2022 to \$5,687,580 in 2022-2023. This is based upon the annual renewal process. There was a decrease of 6.53% in Average Daily Attendance (ADA) and a 11.97% increase of Total Insured Value (TIV) for 2022-2023. In addition, there was an overall increase in the liability and property rates, this is based on the Authority's recent loss experience.

Total operating expenses increased \$622,953 in 2022-2023 to \$5,905,279 from \$5,282,326. The reasons for this increase are mainly due to:

- An increase in excess insurance expense of \$385,264 or 8.08%, which is consistent with the increase in member contributions,
- An overall increase in claims activity which includes an increase of \$44,944 in the actuarially determined estimated ultimate incurred for the 2022-2023 program year and an increase to the actuarially determined estimated ultimate incurred of \$282,749 due to negative IBNR, offset by a decrease of \$114,125 in the actuarially determined estimated ultimate incurred for program years 2021-2022 and prior,
- An increase to the unallocated loss adjustment expense of \$113,356.

Below is a graph that reflects a comparison of operating income and expense for June 30, 2023, and June 30, 2022:



Budgetary Highlights:

Each year the NOCLPSIA Board of Directors approves a budget and establishes rates and funding levels for the program year. The preliminary budget is reviewed by the Board in May, with the final budget to be approved by the Board in June. The final budget incorporates any changes in assumptions or projections that have been made subsequent to the approval of the preliminary budget. NOCLPSIA is not required to make mid-year budget adjustments.

Northern Orange County Liability and Property Self Insurance Authority
Management's Discussion and Analysis
June 30, 2023 and 2022

Below is a summary of the budget information with a comparison to actual expenses. Variances in total operating revenue are due to additional endorsements to the So Cal ReLiEF Memorandum of Coverage, including rental value coverage added during the program year. Variances in other insurance deposits and premiums are also due to additional coverage.

	2022-2023		Difference	Percentage
	Adopted	Actual		
Operating Revenues				
Member Contributions	\$ 5,773,208	\$ 5,773,208	\$ -	-
Repayment of Deductibles	(23,340)	(62,288)	(38,948)	166.87
Safety Credit Program	(62,288)	(23,340)	38,948	(62.53)
Total operating income	5,687,580	5,687,580	-	-
Operating Expenses				
Excess Insurance	5,153,914	5,153,914	-	-
Claims Activity	240,003	555,226	(315,223)	(131.34)
Claims Administration	120,000	56,190	63,810	53.18
Risk Management Fees	86,384	86,384	-	-
Operating Costs	65,428	53,565	11,863	18.13
Total operating expenses	5,665,729	5,905,279	(239,550)	(4.23)
Non-Operating Revenues (Expenses)				
Investment Income	8,204	70,288	62,084	756.75
Change in FMV	-	(26,232)	(26,232)	-
Net non-operating revenues (expense)	8,204	44,056	35,852	437.01
Change in Net Position	30,055	(173,643)	(203,698)	(677.75)
Beginning Net Position	1,572,317	1,572,317	-	-
Ending Net Position	\$ 1,602,372	\$ 1,398,674	\$ (203,698)	(12.71) %

Description of Facts or Conditions That are Expected to Have a Significant Effect on Financial Position or Results of Operations:

Property and Liability rates are impacted by the overall state of an insured's loss experience and the global insurance industry experience. The insurance industry had been in a prolonged soft market whereby there were lower losses, an abundance of capacity, and depressed rates. This began to change a few years ago as global catastrophes, California wildfires, social inflation, sexual abuse, loss development from prior year claims and large jury verdicts increased the exposures and cost of claims. Many insurance carriers ceased writing public agencies due to law enforcement, auto, traumatic brain injury exposures, sexual abuse, and long-term "tail" risk concerns. All these issues contributed to the insurance market shifting from soft to hard as capacity significantly decreased, while retentions and rates increased.

Northern Orange County Liability and Property Self Insurance Authority

Statements of Net Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Deposits and investments	\$ 3,261,344	\$ 3,201,522
Prepaid expense	1,000	1,000
Accounts receivables	71,116	82,260
	3,333,460	3,284,782
Total assets		
Liabilities		
Current liabilities		
Accounts payable	86,716	174,616
Due to members/safety credits	838,418	918,973
Current portion of unpaid claims and claim adjustment expenses	250,000	250,000
	1,175,134	1,343,589
Total current liabilities		
Non-current liabilities		
Unpaid claims and claim adjustment expenses, non-current portion	759,652	368,876
	1,934,786	1,712,465
Total liabilities		
Net Position - Unrestricted	\$ 1,398,674	\$ 1,572,317

Northern Orange County Liability and Property Self Insurance Authority
Statements of Revenues, Expenses, and Changes in the Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Contributions	\$ 5,773,208	\$ 5,484,804
Repayment of deductibles	(62,288)	(41,993)
Safety credit program	(23,340)	(148,588)
Total operating income	5,687,580	5,294,223
Operating Expenses		
Excess insurance	5,153,914	4,768,650
Claims paid	164,450	251,839
Provision for loss reserves	269,070	51,207
Provision for claims adjustment expenses	121,706	8,350
Claims administration	56,190	56,900
Risk management fees	86,384	86,384
Consulting fees	31,023	31,023
Other operating costs	22,542	27,973
Total operating expenses	5,905,279	5,282,326
Net operating income (loss)	(217,699)	11,897
Non-Operating Revenues (Expense)		
Change in fair market value of investments	(26,232)	-
Interest income, net of interest allocated directly to members of \$22,274 in 2023 and \$4,466 in 2022	70,288	12,779
Total non-operating revenues (expenses)	44,056	12,779
Change in Net Position	(173,643)	24,676
Net Position, Beginning of Year	1,572,317	1,547,641
Net Position, End of Year	\$ 1,398,674	\$ 1,572,317

Northern Orange County Liability and Property Self Insurance Authority

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Cash received from members and others	\$ 5,704,562	\$ 5,262,948
Cash paid for claims and settlements	(164,450)	(251,839)
Cash paid for excess insurance	(5,211,074)	(4,819,485)
Cash paid to suppliers for goods and services	(196,727)	(199,238)
Cash received (paid) for the benefit of members, net	(110,707)	79,631
Net Cash Provided By Operating Activities	21,604	72,017
Investing Activities		
Interest income	38,218	11,861
Net Change in Cash and Cash Equivalents	59,822	83,878
Cash and Cash Equivalents, Beginning of Year	3,201,522	3,117,644
Cash and Cash Equivalents, End of Year	\$ 3,261,344	\$ 3,201,522
Reconciliation of Operating Income (Loss) to Net Cash provided by Operating Activities		
Operating income (loss)	\$ (217,699)	\$ 11,897
Adjustments to reconcile excess of operating income (loss) to net cash provided by operating activities		
Changes in assets and liabilities		
Receivables	16,982	(31,275)
Prepaid expenses	-	(250)
Accounts payable	(87,900)	(42,972)
Amounts due to members	(80,555)	75,060
Claims liability	311,331	51,207
Unallocated loss adjustment expenses	79,445	8,350
Total adjustments	239,303	60,120
Net Cash Provided By Operating Activities	\$ 21,604	\$ 72,017

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Northern Orange County Liability & Property Self-Insurance Authority (NOCLPSIA) was formed on August 1, 1979, under a joint powers agreement between participating local educational agencies located primarily within Orange County, pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the California Government Code. The purpose of NOCLPSIA is to provide a more viable and economical insurance program to its members than individual members might otherwise be able to obtain operating on their own. During the fiscal year ended June 30, 2023, there were 13 participants in the NOCLPSIA's self-insured program. Members may withdraw from the NOCLPSIA after having completed a minimum of 36 consecutive months as a member of the NOCLPSIA. A member may withdraw from its status as a member at the end of any fiscal year by notifying the Board of Directors in writing no later than December 31 of the fiscal year at the end of which the withdrawal is to be effective, pursuant to the terms and conditions of the governing bylaws.

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

NOCLPSIA includes all funds and account groups that are controlled by or dependent on the NOCLPSIA's governing board for financial reporting purposes. NOCLPSIA has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. NOCLPSIA determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

Basis of Accounting

The accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with Governmental Generally Accepted Accounting Principles (GAAP). Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. Operating revenues include member contributions net of any applicable rate credits. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium rebates, and general and administrative expenses. All other revenues and expenses are considered non-operating.

Budget and Budgetary Accounting

Annually, the Board of Directors adopts a budget that is subject to amendment throughout the year to give consideration to unanticipated revenue and expenses primarily resulting from events unknown at the time of budget adoption.

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.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less. For purposes of the Statement of Cash Flows, deposits with the County Treasury, California Asset Management Program, and the State Investment Pool Local Agency Investment Fund (LAIF) are considered to be cash equivalents.

Receivables

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

Unpaid Claims Liabilities

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

Premium Contributions

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

Safety Credits

At the beginning of each program year, all members can elect to contribute into their safety credit fund. They may also elect to waive this annual contribution to their safety credit fund. Safety credit funds are to be utilized in areas which would reduce the severity and/or frequency of losses.

Return of Net Position

Amounts in excess of NOCLPSIA's Capital Target are available for potential return to the Members and can be utilized at the member's discretion towards future member contributions, safety credits or they may request a refund. Return of net position shall not include any surplus funds from the past five years and the current year and are approved by the Board.

Insurance Coverage

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

NOCLPSIA participates in Southern California Regional Liability Excess Fund (SCR), a risk pooling solution, for excess coverage at a Member Retained Limit (MRL) of \$25,000 per occurrence for property and liability. NOCLPSIA self-insures its property claims up to \$25,000 per occurrence and liability claims up to \$25,000 per occurrence. SCR pools for the first \$250,000 of a property loss including the MRL and purchases reinsurance for property claims up to \$500,000,000 in excess of \$250,000. SCR pools for the first \$1,000,000 of a liability loss including the MRL and purchases reinsurance for liability claims up to \$24 million excess of \$1 million including member's MRL. Some members of the program purchased an additional \$25 million in excess liability coverage for excess liability limits to \$50 million.

Income Taxes

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

Northern Orange County Liability and Property Self Insurance Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023 and 2022, consist of the following:

	2023	2022
Cash in operating account	\$ 785	\$ 233
Cash in trust account	100,000	100,000
Investments in County Treasury	2,629,266	2,596,162
Investments in State Investment Pool	9,411	505,127
Investments in California Asset Management Program (CAMP)	521,882	-
Total deposits and investments	\$ 3,261,344	\$ 3,201,522

Policies and Practices

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

Investment in County Treasury

NOCLPSIA is considered to be a voluntary participant in an external investment pool. The fair value of NOCLPSIA's investment in the pool is reported in the accounting financial statements at amounts based upon the NOCLPSIA's pro-rata share of the fair value provided by the Orange County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Orange County Treasurer, which is recorded on the amortized cost basis. The Cash in County Treasury has an average weighted maturity of 225 days.

Investment in the State Investment Pool

NOCLPSIA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the NOCLPSIA's investment in the pool is reported in the accompanying financial statements at amounts based upon NOCLPSIA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. The LAIF has an average weighted maturity of 260 days.

Investment in CAMP

California Asset Management Program (CAMP) is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. Investments offered through the Cash Reserve Portfolio (CAMP Pool) are permitted for all local agencies under California Government Code Section 53601(p). The CAMP Pool investments are transacted using the net asset value (NAV) per share as of the close of business each business day by dividing the net position of the CAMP Pool by the number of outstanding shares. The CAMP Pool's objective is to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV. The CAMP Pool has an average weighted maturity of 26 days.

Interest Rate Risk

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

Credit Risk

Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. NOCLPSIA's investments in County Treasury and Local Agency Investment Fund are not required to be rated. NOCLPSIA's investment in the CAMP Pool is rated AAAM by Standard and Poor's.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, NOCLPSIA's deposits may not be returned. NOCLPSIA does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023 and 2022, NOCLPSIA's bank balances were not exposed to custodial credit risk.

Northern Orange County Liability and Property Self Insurance Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 3 - Receivables

Receivables at June 30, 2023 and 2022, consist of the following:

	2023	2022
Member deductibles	\$ 62,736	\$ 79,718
Interest income	8,380	2,542
	<u>\$ 71,116</u>	<u>\$ 82,260</u>

Note 4 - Accounts Payable

Accounts payable at June 30, 2023 and 2022, consist of the following:

	2023	2022
Trust account replenishment	\$ 7,996	\$ 38,148
Vendor payables	25,343	25,931
Return of Net Position payable	53,377	110,537
	<u>\$ 86,716</u>	<u>\$ 174,616</u>

Note 5 - Due to Members

The amounts due to members consist of return of net position, rebates and safety credit funds. The amounts due to members at June 30, 2023 and 2022, are summarized below:

	2023	2022
ABC Unified School District	\$ 171,771	\$ 200,589
Buena Park School District	182,416	173,186
Centralia School District	114,041	106,970
Coastline Regional Occupational Program	3,831	3,736
College and Career Advantage	14	14
Cypress School District	125,378	122,300
Greater Anaheim Special Education Local Plan Area	6,154	6,002
La Habra City School District	14,819	15,982
Los Alamitos Unified School District	20,074	19,581
Magnolia School District	10,767	16,594
North Orange County Regional Occupational Program	71,417	65,511
Northern Orange County Self-Funded Workers' Compensation Authority	74	72
Orange County Fringe Benefits	74	72
Savanna School District	25,704	22,817
Westminster School District	91,884	165,547
	<u>\$ 838,418</u>	<u>\$ 918,973</u>

Northern Orange County Liability and Property Self Insurance Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 6 - Reconciliation of Claims Liability

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

	2023	2022
Unpaid Claims Expenses At Beginning Of The Fiscal Year	\$ 439,388	\$ 388,181
Incurring Blaims Expenses Related To		
Provision for insured events of the current fiscal year	484,065	301,137
Provision (credit) for insured events of prior fiscal years	(50,545)	1,909
Total incurred expenses	433,520	303,046
Payments Related To		
Claims expenses attributable to insured events of the current fiscal year	54,862	82,346
Claims expenses attributable to insured events of prior fiscal years	109,588	169,493
Total payments	164,450	251,839
Claims Liabilities At End Of The Fiscal Year	\$ 708,458	\$ 439,388

The components of the unpaid claims and claim adjustment expenses as of June 30, 2023 and 2022, were as follows:

	2023	2022
Claims liability	\$ 708,458	\$ 439,388
Unallocated loss adjustment expenses	301,194	179,488
Current portion	1,009,652 (250,000)	618,876 (250,000)
Noncurrent portion	\$ 759,652	\$ 368,876

Claims liabilities are not discounted as of June 30, 2023 and 2022.

Northern Orange County Liability and Property Self Insurance Authority

Notes to Financial Statements

June 30, 2023 and 2022

Note 7 - Net Position

Net position is composed of the following elements as of June 30, 2023 and 2022:

	2023	2022
Unrestricted		
Designated		
Capital target	\$ 524,040	\$ 523,433
Undesignated	874,634	1,048,884
Total net position	\$ 1,398,674	\$ 1,572,317

Note 8 - Participation in Public Entity Risk Pools

NOCLPSIA's member agencies are members of Southern California Regional Liability Excess Fund (SCR). Member agencies pay an annual premium to SCR for property and liability coverage. The relationship between NOCLPSIA and SCR is such that SCR is not a component unit of NOCLPSIA for financial reporting purposes.

SCR has budgeting and financial reporting requirements independent of the member units and SCR's financial statements are not presented in these financial statements; however, fund transactions between SCR and NOCLPSIA are included in these statements. Audited financial statements are available from SCR.

A. Entity	Southern California Regional Liability Excess Fund
B. Purpose	Arranges and provides excess insurance coverage for liability and property claims beyond that which is claimed elsewhere
C. Participants	State-wide educational entities
D. Governing Board	Consisting of elected representative of the members by region
E. Payments for the Current Year	\$ 5,153,914



Required Supplementary Information
June 30, 2023

Northern Orange County Liability and Property Self Insurance Authority

Northern Orange County Liability and Property Self Insurance Authority

Claims Development Information

June 30, 2023

The following table illustrates how NOCLPSIA's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by NOCLPSIA 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 reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of NOCLPSIA including overhead and claims expense not allocable to individual claims.
3. This line shows NOCLPSIA's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation result from new information received on known claims, re-evaluation 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.

Northern Orange County Liability and Property Self Insurance Authority
Ten-Year Claims Development Information
June 30, 2023

	June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(1) Required contribution and investment revenue										
Earned	\$ 3,443,192	\$ 2,950,399	\$ 3,195,790	\$ 3,565,781	\$ 3,744,130	\$ 4,154,392	\$ 4,776,240	\$ 4,963,106	\$ 5,307,002	\$ 5,757,868
Ceded	(2,919,870)	(2,458,826)	(2,673,628)	(3,034,662)	(3,218,919)	(3,594,023)	(4,152,468)	(4,418,753)	(4,768,650)	(5,153,914)
Net earned	523,322	491,573	522,162	531,119	525,211	560,369	623,772	544,353	538,352	603,954
(2) Unallocated expenses	312,833	218,454	274,159	100,356	170,267	195,707	177,187	203,188	210,630	317,845
(3) Estimated claims and expenses, end of policy year										
Incurred	425,441	234,163	393,147	248,249	279,485	340,494	258,906	214,860	301,137	484,065
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	425,441	234,163	393,147	248,249	279,485	340,494	258,906	214,860	301,137	484,065
(4) Net paid (cumulative) as of										
June 30, 2014	94,989	-	-	-	-	-	-	-	-	-
June 30, 2015	173,955	59,270	-	-	-	-	-	-	-	-
June 30, 2016	211,373	151,524	166,922	-	-	-	-	-	-	-
June 30, 2017	212,077	221,745	170,491	33,380	-	-	-	-	-	-
June 30, 2018	212,077	221,745	239,418	85,442	58,195	-	-	-	-	-
June 30, 2019	212,077	221,745	252,384	145,565	101,110	47,802	-	-	-	-
June 30, 2020	212,077	221,745	252,384	147,458	134,699	109,430	29,565	-	-	-
June 30, 2021	212,077	221,745	252,384	147,458	153,441	209,536	126,319	27,178	-	-
June 30, 2022	212,077	221,745	252,384	147,458	153,441	213,252	208,683	111,004	82,346	-
June 30, 2023	212,077	221,745	252,384	147,458	153,441	216,951	210,101	137,967	174,868	54,862
(5) Re-estimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
(6) Re-estimated net incurred claims and expenses										
June 30, 2014	393,612	-	-	-	-	-	-	-	-	-
June 30, 2015	242,271	303,571	-	-	-	-	-	-	-	-
June 30, 2016	245,784	237,374	255,930	-	-	-	-	-	-	-
June 30, 2017	212,077	221,745	281,301	172,115	-	-	-	-	-	-
June 30, 2018	212,077	221,745	252,384	149,596	217,974	-	-	-	-	-
June 30, 2019	212,077	221,745	252,384	149,596	154,883	335,045	-	-	-	-
June 30, 2020	212,077	221,745	252,384	147,458	154,883	335,045	258,906	-	-	-
June 30, 2021	212,077	221,745	252,384	147,458	154,536	256,777	273,572	128,650	-	-
June 30, 2022	212,077	221,745	252,384	147,458	153,441	254,186	245,102	228,021	301,137	-
June 30, 2023	212,077	221,745	252,384	147,458	153,441	249,186	232,100	197,359	293,034	484,065
(7) (Increase) Decrease in estimated incurred claims and expenses from the end of the policy year	\$ 213,364	\$ 12,418	\$ 140,763	\$ 100,791	\$ 126,044	\$ 91,308	\$ 26,806	\$ 17,501	\$ 8,103	\$ -



Independent Auditor's Report
June 30, 2023

**Northern Orange County Liability and
Property Self Insurance Authority**



**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
Northern Orange County Liability and Property Self Insurance Authority
Anaheim, California

We have audited, 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 (*Government Auditing Standards*), the financial statements of Northern Orange County Liability and Property Self-Insurance Authority (NOCLPSIA), which comprise the statement of net position as of June 30, 2023, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Orange County Liability and Property Self-Insurance Authority's internal control over financial reporting (internal control) as a basis for designing 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 Northern Orange County Liability and Property Self-Insurance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Orange County Liability and Property Self-Insurance Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Orange County Liability and Property Self-Insurance Authority'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 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 NOCLPSIA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NOCLPSIA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
November 8, 2023