

**ALLIANCE OF SCHOOLS
FOR COOPERATIVE
INSURANCE PROGRAMS**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2023

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

JUNE 30, 2023

EXECUTIVE COMMITTEE

REPRESENTATIVE	CATEGORY	OFFICE HELD
Mr. Phil Hillman	K-8 Member Districts	President
Mr. Dean West	K12, ADA of <15,000	Treasurer
Mr. Cameron Abbott	Community College Districts	Member
Mr. Marc Chaldu	K12, ADA of <15,000	Member
Mr. Ruben Frutos	K12, ADA of <15,000	Member
Mr. Clark Hampton	K12, ADA of >15,000	Member
Mr. Michael Johnston	K12, ADA of >15,000	Member
Mr. Tien Phan	Joint Powers Authority	Member
Dr. David Riddick	Charter Public Schools	Member
Ms. Yumi Takahashi	K12, ADA of >15,000	Member
Mr. Fred Williams	Community College Districts	Member
Ms. Christina Aragon	K12, ADA of >15,000	Alternate
Mr. Stephen Dickinson	Charter Public Schools	Alternate
Ms. Sonia Eckley	K12, ADA of <15,000	Alternate
Mr. Carl Erickson	K-8 Member Districts	Alternate
Mr. Kevin Jamero	K12, ADA of <15,000	Alternate
Dr. Jason Johnson	K-8 Member Districts	Alternate
Mr. Anthony Nahale	K12, ADA of >15,000	Alternate
Dr. Matthew Torres	K12, ADA of <15,000	Alternate

ADMINISTRATION

Mr. Fritz J. Heirich	Chief Executive Officer
Mr. Jeffrey Grubbs	Chief Financial Officer
Mr. Stephan Birgel	Chief Claims Officer
Ms. Nidra Kumaradas	Executive Director of Workers' Compensation
Mr. Dan Sanger	Executive Director of Health Benefits
Ms. Lynn Truong	Senior Director of Finance
Mr. Reshan Cooray	Executive Director, Property and Liability
Ms. Martha Espinoza	Senior Director of Risk Services
Ms. Felicia Williams	Office Manager/Board Clerk

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Alliance of Schools for Cooperative Insurance Programs
Cerritos, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Alliance of Schools for Cooperative Insurance Programs (ASCIP) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise ASCIP's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of ASCIP as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Captive Insurance for Public Agencies Limited (CIPA), a blended component unit, which represent 5.17 percent, 5.24 percent, and 1.98 percent, respectively, of the assets, net position, and revenues of ASCIP as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CIPA, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of CIPA were not audited in accordance with *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 ASCIP 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 ASCIP'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 generally accepted auditing standards 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 generally accepted auditing standards 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 ASCIP'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 ASCIP'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 contract, claims development information, schedule of ASCIP's proportionate share of the net pension liability, and the schedule of ASCIP's contributions on pages 4-18 and 48-55 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 and other auditors 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 ASCIP's basic financial statements. The accompanying combining statement of net position; combining statement of revenues, expenses, and changes in net position; and combining statement of cash flows (combining financial statements) 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 by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of executives and administration and the "Memo only" column in the basic financial statements but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of ASCIP'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 ASCIP'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 ASCIP's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 29, 2023

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

The following Management's Discussion and Analysis (MD&A) provides an overview of ASCIP's financial position and activities for the fiscal year ended June 30, 2023. The MD&A should be read in conjunction with the financial statements and accompanying notes which follow this section.

Overview of ASCIP

Alliance of Schools for Cooperative Insurance Programs (ASCIP) was formed in 1980 as a public agency Joint Powers Authority (JPA) which provides a number of insurance coverages, including property & liability, workers' compensation, and health benefits, to public educational institutions, including school districts and community colleges in the State of California.

In addition to providing insurance coverage, ASCIP also offers an extensive array of risk management services, including safety and loss control, health and wellness, and claims and litigation management to prevent and mitigate losses. These services are all inclusive in its member premium contributions and ASCIP also offers a host of customized insurance products, including booster/auxiliary club, student accident, and underground storage tank coverages, to meet its members' needs.

In, 2005, ASCIP formally established Captive Insurance for Public Agencies Limited (CIPA) in the State of Hawaii and began to offer an Owner Controlled Insurance Program (OCIP). Later it offered other coverages, including Student Accident, Pupil Transportation, Workers' Compensation Loss Portfolio Assumptions and Corridor reinsurance through CIPA.

In 2006 ASCIP established a Health Benefits Program which now includes self-funded and fully-insured medical, dental and vision plans to its membership.

ASCIP's Executive Committee consists of thirteen members who represent the membership categories of Community College Districts, K-12 Districts, K-8 Districts, Charter Schools, and partner School District JPAs. Committee members for each category are elected by the membership and serve staggered three-year terms. In addition, there are up to thirteen alternates. The Executive Committee appoints alternates and may fill vacancies which occur prior to expiration of a voting member's term. The Executive Committee is responsible for providing overall leadership to the JPA, including the development of long-range goals and policies to guide and direct the organization's staff.

The Executive Committee is supported by the following member-led committees; Finance & Investment Committee, Risk Control Committee, Personnel Committee, Claims & Coverage Committee and the Health Benefits Committee. The day-to-day operations are administered by an in-house staff of approximately fifty to fifty four professionals at any given time.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Description of the Basic Financial Statements

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

ASCIP's financial activities are reported in three separate funds: Property & Liability Program, Workers' Compensation Program, and Health Benefits Program. The Property & Liability Program consists of revenues and expenditures relating to the seven core coverage programs (property, general liability, child sexual assault, auto liability, auto physical damage, cyber, and crime) along with several ancillary programs. The Workers' Compensation Program consists of revenues and expenditures relating to its workers' compensation coverage. The Health Benefits Program consists of revenues and expenditures relating to all fully-insured and self-insured medical, dental, and vision plans, and other miscellaneous coverages such as life, income protection, and long-term care insurance.

The assets, deferred outflows, liabilities, deferred inflows, revenues and expenses for the three funds are reported on a full accrual basis. CIPA's financial statements are included in ASCIP's financial statements as a component unit of ASCIP. CIPA's financial statements reflect the revenues, expenditures, assets and liabilities of the OCIP, Student Accident, Pupil Transportation, Workers' Compensation Loss Portfolio Assumption and Corridor Reinsurance coverages.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

CONDENSED FINANCIAL INFORMATION

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$ 170,687,556	\$ 155,432,951
Noncurrent assets	325,468,729	346,110,826
Capital assets, net	16,351,869	15,582,715
Intangible Right-of-use lease asset	<u>6,875,663</u>	<u>6,983,903</u>
Total Assets	<u>519,383,817</u>	<u>524,110,395</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pension & OPEB	<u>2,445,419</u>	<u>1,355,136</u>
 LIABILITIES		
Current liabilities	126,478,367	103,134,102
Unpaid claims and claims adjustment expense, net of current portion	210,611,818	194,837,609
Net pension and OPEB liability	3,696,545	1,276,819
Lease liability - operating lease, net	<u>7,002,627</u>	<u>7,002,627</u>
Total Liabilities	<u>347,789,357</u>	<u>306,251,157</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension & OPEB	<u>42,609</u>	<u>772,534</u>
 NET POSITION		
Invested in capital assets, net	16,224,905	15,563,991
Net position, restricted	12,041,819	14,348,498
Net position, unrestricted	<u>145,730,546</u>	<u>188,529,351</u>
Total Net Position	<u>\$ 173,997,270</u>	<u>\$ 218,441,840</u>

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
Operating Revenue:		
Member contributions	\$ 294,480,133	\$ 287,307,997
Other income	<u>109,929</u>	<u>145,571</u>
Total Operating Revenue	<u>294,590,062</u>	<u>287,453,568</u>
Operating Expenses:		
Provision for claims and claim adjustment expense	184,872,896	124,784,197
Excess/Reinsurance premiums	29,708,400	31,297,083
Health Benefits Insurance premiums	76,838,285	74,467,505
Contract services	12,594,470	12,169,483
Loss control and risk management	3,875,299	3,534,437
General administrative expenses	13,970,114	9,983,609
Dividend expense	<u>17,639,142</u>	<u>14,445,618</u>
Total Operating Expenses	<u>339,498,606</u>	<u>270,681,932</u>
Nonoperating Revenue:		
Interest and dividend income, net of fees	9,240,661	5,133,476
Net increase (decrease) in fair value of investments	<u>(8,776,687)</u>	<u>(30,183,717)</u>
Total Nonoperating Revenue	<u>463,974</u>	<u>(25,050,241)</u>
Change in Net Position	(44,444,570)	(8,278,605)
Total Net Position, Beginning of Year	<u>218,441,840</u>	<u>226,720,445</u>
Total Net Position, End of Year	<u>\$ 173,997,270</u>	<u>\$ 218,441,840</u>

ASCIP 2022-23 Operating Budget

Each year, ASCIP's Executive Committee adopts a budget which serves as a blueprint for the Executive Committee to achieve its objective of providing the highest quality products and services to its members. It is designed as a tool for financial planning, control, and evaluation of pool performance in the coming year. The budget incorporates various fiscal and economic assumptions and factors such as insurance market trends, level of reinsurance coverage, claims trends and developments, investment performance and administrative costs.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

	Budget	Actual	\$ Variance	% Variance
Operating Revenues:				
Premium contributions from members	\$ 296,913,000	\$ 294,480,133	\$ (2,432,867)	-1%
Other income	127,000	109,929	(17,071)	-13%
Total Operating Revenues	297,040,000	294,590,062	(2,449,938)	-1%
Operating Expenses:				
Claims expense	162,959,500	184,872,896	21,913,396	13%
Excess/reinsurance premiums	32,556,000	29,708,400	(2,847,600)	-9%
Health benefits insurance premiums	77,305,000	76,838,285	(466,715)	-1%
Contract services	12,056,500	12,594,470	537,970	4%
Loss control and risk management services	5,260,000	3,875,299	(1,384,701)	-26%
General and administrative	13,458,000	13,970,114	512,114	4%
Premium dividends	-	17,639,142	17,639,142	n/c
Total Operating Expenses	303,595,000	339,498,606	35,903,606	12%
Operating income (loss)	(6,555,000)	(44,908,544)	(38,353,544)	585%
Non-Operating Revenues (Expenses):				
Interest and dividend income, net of fees	6,755,000	9,240,661	2,485,661	37%
Net unrealized gain (loss) on investments	-	(8,776,687)	(8,776,687)	n/c
Total Non-Operating Income	6,755,000	463,974	(6,291,026)	-93%
Increase (decrease) in net position	200,000	(44,444,570)	(44,644,570)	n/c
Net position, beginning of year	218,441,840	218,441,840	-	0%
Net position, end of year	\$ 218,641,840	\$ 173,997,270	\$ (44,644,570)	-20%
Capital Outlay	\$ 1,370,000	\$ 246,325	\$ (1,123,675)	-82%

Commentary on Budget Variances

Actual premium contributions from members were \$2.4 million or 1% lower than the budget mainly due to lower premiums in the OCIP program resulting from substantially reducing enrolling new projects.

Interest income was 37% higher than the budget due to actual interest rate earned was higher than estimated rate used for the budget as a result of extending the portfolio duration. Another factor was the high investment activities of the Short-Term portfolio taking advantage of higher yields during the fiscal year.

Actual claims expense was approximately \$22 million or 13% more than budgeted primarily due to high litigation activity causing higher claim payments and case reserves in the Property & Liability Program.

Excess/reinsurance premiums came in \$2.8 million lower than the budget primarily due to lower excess premiums in the self-funded medical plan as a result of lower enrollment than anticipated.

Actual Health Benefits premium paid to carriers were slightly lower than the budget primarily due to lower enrollment.

Contract services came in slightly higher than the budget mainly due to the increase in Workers' Compensation Program claim's administrative cost due to additional dedicated claims adjusters for the five new members in the program.

Premium dividends were not budgeted but the Board declared a rebate of \$9.6 million in the Workers' Compensation Program and \$8 million in the Health Benefits Program.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

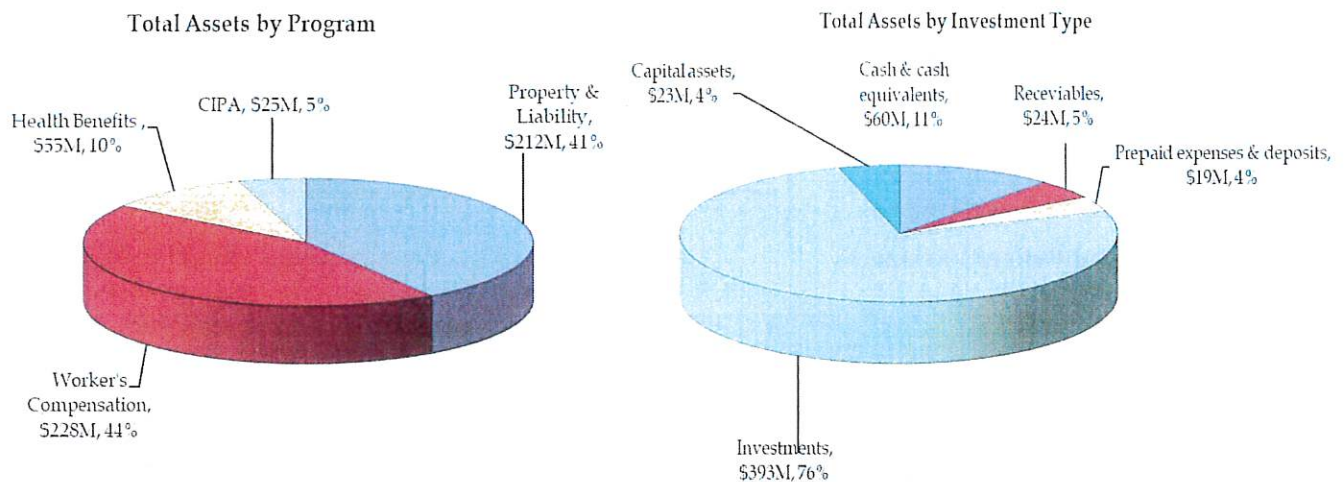
ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Assets

ASCIP'S total assets consist of mostly cash and investments with a small amount of receivables, prepaid expenses, and capital assets. Total assets decreased by \$4.7 million or 1.0% to \$519.4 million at June 30, 2023. The decrease in cash mainly contributed to the decrease in total assets. All other types of assets such as receivables, investments, prepaid and capital assets showed an increase from the prior year.

ASCIP invests those funds not immediately necessary for claim payments in long-term securities in order to optimize the rate of return. The managed portfolio consists of fixed income securities purchased and held in accordance with ASCIP's investment policy and the California Government Code. As of June 30, 2023, ASCIP's investments have a total fair market value of \$393 million, an increase of \$23.5 million from the prior fiscal year. This increase was driven by \$9.2 million in interest earnings, \$23.1 million in net purchases of investments, net of unrealized market value losses of \$8.8 million.

The following graphs depict the total assets by program and type of investment at June 30, 2023:



Liabilities

Total liabilities increased by \$41.5 million, primarily due to the increase in outstanding claims liabilities of \$36.1 million, accounts payable of \$2.5 million, pension liability of \$2.4 million, Member Risk Management Fund balance of \$1.7 million, and unallocated loss adjusting expense reserve of \$1.6 million, offset by the decrease in dividend payable of \$1.1 million, unearned premium revenues of \$716,000, and other liabilities of \$989,000.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

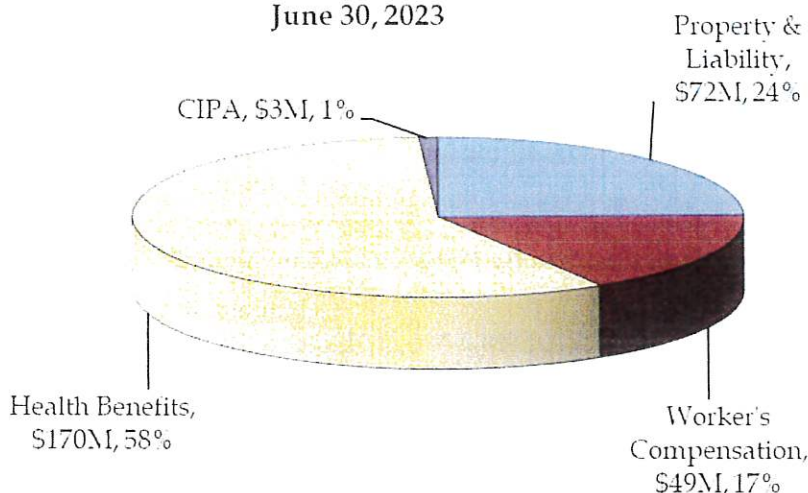
MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Revenues

Total premium revenues generated for the fiscal year were \$294.6 million, an increase of 2.5% from the previous year or \$7.1 million. This year, the Property & Liability and Workers' Compensation Programs generated an increase in revenues of \$3.9 million and \$7.0 million, respectively, primarily driven by the increased cost of coverage and membership growth. The Health Benefits Program's revenues were essentially flat and CIPA had a decrease in revenues by \$1.4 million, driven mainly by the decision to substantially reduce the number of new OCIP projects enrolled.

During fiscal year 2022-23, the Federal Reserve continued to raise the short-term interest rates to the highest level in many years. As a result, ASCIP's investment portfolio experienced a large amount of unrealized losses of \$8.8 million this year. However, as securities matured during the year, ASCIP was able to reinvest at a higher yield; therefore, interest income improved significantly compared to last year. ASCIP earned a total of \$9.2 million in interest income, net of fees, compared to \$5.1 million last year. Since ASCIP holds most of its investments to maturity, this unrealized loss is expected to reverse itself as securities mature.

Total Revenues by Program for the Year Ended
June 30, 2023



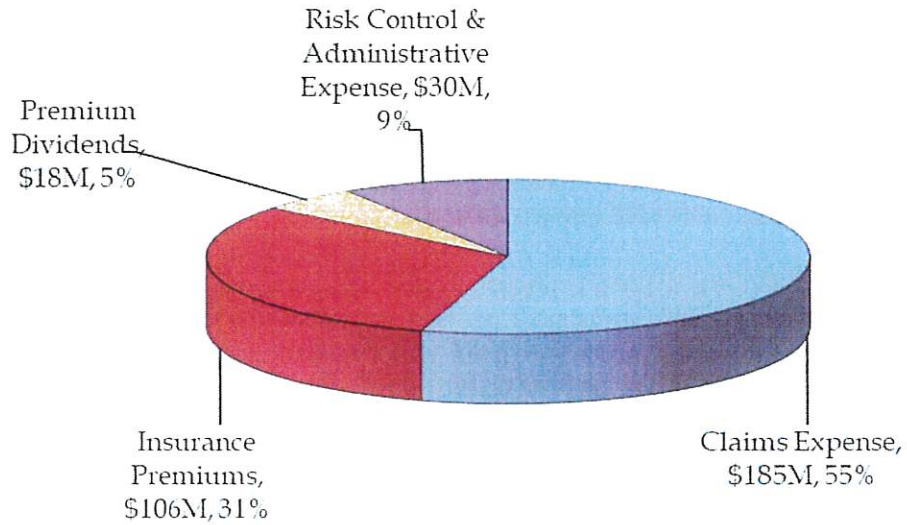
Expenses

Total expenses were \$339.5 million, an overall increase of \$68.8 million or 25% from the prior year. The increase was mostly driven by a large increase in claims expenses in the Property & Liability Program due to a surge in claims and litigation activity, as we emerged from the pandemic. The claim payments increased by \$25.2 million. Case reserves, IBNR and ULAE reserves increased by \$34.9 million. Excess insurance premiums, health benefits premiums, and other expenses increased by a total of \$8.7 million. In fiscal year 2022-23, the Executive Committee declared rebates totaling \$17.6 million from the Workers' Compensation and Health Benefits Programs, which was \$3.2 million more than the previous year's rebate amount.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

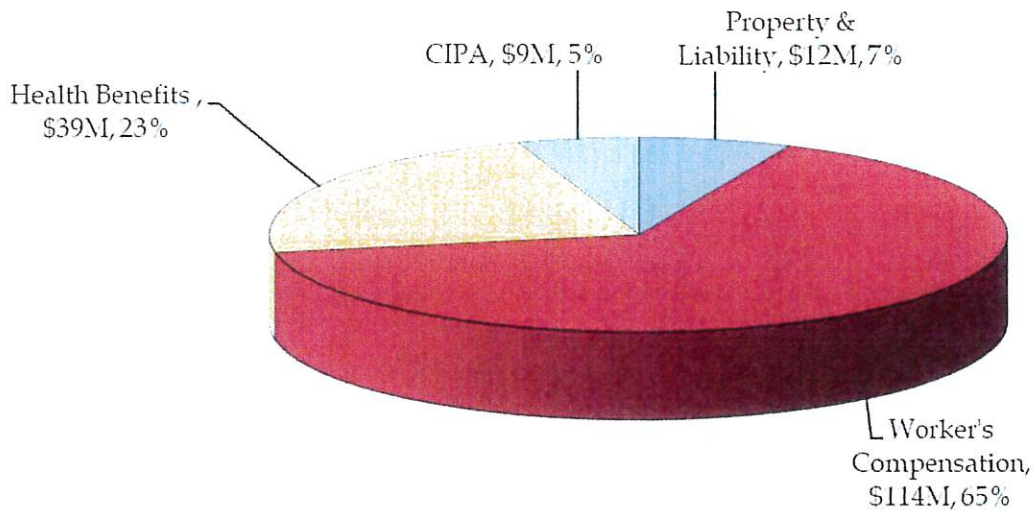
Breakdown of Expenses for the Year Ended June 30, 2023



Net Position

Despite having a decrease in net position of \$44.4 million due to adverse claims development, primarily in the Property & Liability Program, ASCIP's overall financial health continued to remain strong, ending the year with a net position of \$173 million.

Net Position by Program at June 30, 2023



ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

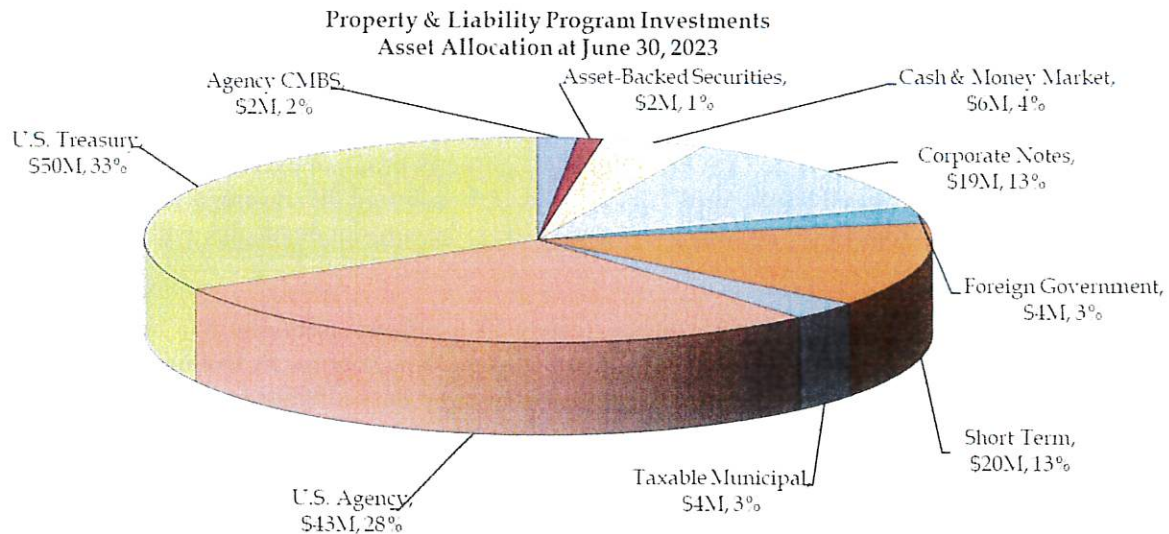
ANALYSIS OF BALANCES AND TRANSACTION OF INDIVIDUAL PROGRAMS

Property & Liability Program

The total assets in the Property & Liability Program decreased by \$5.4 million to \$212.0 million as of June 30, 2023. The decrease was mainly attributable to the decrease in cash, offset by the increase in investments, prepaids and receivables. Total cash decreased by \$35.3 million, ending the year with \$30.8 million. In fiscal year 2022-23, a short-term investment portfolio was established to take advantage of the high short-term yields. Majority of the cash in the LA County Treasurer's Pool was moved to the short-term portfolio.

The Property & Liability investment portfolio balance increased by approximately \$19.1 million to an ending balance of \$144.6 million as of June 30, 2023. The increase was mainly driven by the cash transfer in from the LA County Treasurer's Pool, offset by the market value losses due to rising rates. For the fiscal year, the portfolio earned \$4.2 million in interest income which was reinvested in the portfolio and had an increase in the net unrealized loss of \$1.8 million. As of June 30, 2023, the portfolio had an average yield of 1.45% and an average duration of 2.3 years, compared to a yield of 1.16% and an average maturity of 3.1 years at June 30, 2022. During the year, the portfolio drifted shorter as securities were getting closer to their maturity dates.

The following graph depicts the asset allocation of the investment portfolio:



Total liabilities increased by \$20.9 million to \$202.0 million as of June 30, 2023, primarily due to the increase of \$17.4 million in unpaid claims liability, \$2.3 million in Member Risk Management Fund balance and \$2.1 million in pension liability, offset by the decrease in accounts payable and other liabilities of \$0.8 million. The increase in unpaid claims liability was the result of \$26.0 million increase in case reserves, offset by \$9.2 million decrease in IBNR. Strengthening in liability reserves was in response to the increased costs of awards and settlements observed as we experienced a surge in litigation activity and resulting discovery and case reserving in the first six months of the fiscal year. As in the past, the outstanding claims liability for unpaid losses as of June 30, 2023 was recorded at the actuarially determined undiscounted central estimate.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Net position in the Property & Liability Program decreased by \$24.8 million to an ending balance of \$11.8 million at June 30, 2023. The decrease was primarily caused by the significant increase in claims liabilities.

Total premium revenues increased by approximately \$3.4 million from the prior year to \$71.9 million, primarily driven by the increase in rates in the Property, General Liability, and CSA lines of coverage. The composite renewal rate increased by 4.6% from the prior year. The program added one member and lost four existing members in this program year, reducing the total number of members to 109. In 2022-23, the program insured approximately \$41 billion in property values and 1 million students. The program also generated \$108,000 in other income from the administration of other JPAs.

The total operating expenses increased by \$31.5 million predominantly due to the increase in claim-related expenses, resulting from large property losses and increased litigation activity in the liability line of coverage.

To avoid incurring a catastrophic or severe loss in any one program year, ASCIP purchases excess insurance and/or reinsurance coverage in many of its programs. In fiscal year 2022-23, the total excess/reinsurance premiums increased by \$2.3 million, mainly due to the increase in property reinsurance premiums of \$3.7 million, offset by the decrease of \$1.4 million in cyber premium as a result of ASCIP deciding to self-insure this line of coverage.

Similar to last year, ASCIP continued to retain a self-insured retention of \$3 million per occurrence in the General/Auto Liability and CSA lines of coverage. ASCIP purchased reinsurance for the \$2 million in excess of \$3 million layer with no aggregate deductible and took a 30 percent quota share of losses with three reinsurers in this layer. Regarding the Property coverage portion of this program, ASCIP continued to carry a \$1 million deductible and had an aggregate corridor deductible of \$2.5 million in the layer above the \$1 million deductible as in the previous year. ASCIP purchased excess insurance above this level up to \$500 million. Effective April 1, 2022, ASCIP changed its property program excess coverage renewal date from July 1 to April 1. Also, effective April 1, 2022, ASCIP transferred the coverage for the \$2.5 million aggregate corridor deductible to CIPA. Effective April 1, 2023, the corridor deductible with CIPA increased to \$3.0 million.

General administration costs increased by approximately \$1.4 million, primarily due to the increase in pension expense. ASCIP is part of the CalPERS Miscellaneous Risk Pool for its Defined Benefit Pension Plan. As such, ASCIP's pension liability and expense are based on the CalPERS actuarial calculation.

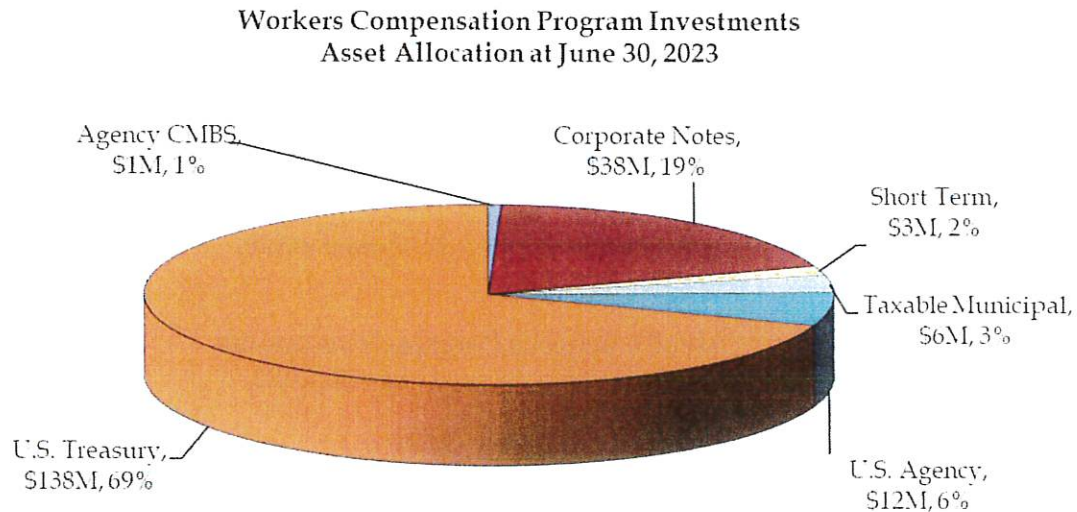
Workers' Compensation Program

The Workers' Compensation Program ended the year with total assets of \$228.0 million, an increase of \$13.4 million from the prior year. The increase in total assets was mainly driven by the increase in contributions from new members combined with the decision to move the intangible right-to-use lease asset to this program. The increase in capital assets of \$19.6 million was due to the decision to move the capital assets related to its newly purchased facility to the Workers' Compensation Program. For the year, the program earned a total of \$3.3 million in interest income that was re-invested in the portfolio and recognized a decrease in net unrealized investment market value of \$6.2 million, compared to \$21 million last year. During the year, the duration of the Workers' Compensation investment portfolio was shortened to 4.15 years from 5.10 years as securities in the portfolio were moving closer to their maturities. As of June 30, 2023, the portfolio had a book yield of 1.48%, compared to 1.45% yield in the prior year.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

The following graph depicts the asset allocation of the investment portfolio:



Note: Asset-Backed and Cash & Money Market Securities are both below \$1M

The total liabilities in the Workers' Compensation Program increased by \$25.3 million to \$114.6 million. The increase in unpaid claims liability, and facility land lease liability attributed to the majority of the total liability increase. This lease liability was recorded at \$7 million per GASB 87, *Lease Accounting*. The unpaid claims liability increased by \$16.1 million to \$86.6 million.

The Workers' Compensation Program closed the fiscal year with a decrease in net position of \$11.8 million, which brought the ending net position down to \$113.6 million as of June 30, 2023. This decrease was mainly due to the dividend distribution of \$9.6 million and \$6.2 million in unrealized losses on investments. Without the dividend distribution and the investment unrealized loss, the program would have had an earned surplus of \$4.0 million.

Member contributions increased by nearly \$7.0 million to \$49.3 million, primarily due to the growth in membership. The composite premium rate decreased by 1.6%. For the year, the program added five new members and lost one charter school member due to closing of the school. The Workers' Compensation Program premiums are based on payroll. For fiscal year 2022-23, the program had a total payroll of \$4.2 billion, an increase of \$619 million from the previous year mainly due to the addition of five new members. The program insured a total of 55 members in 2022-23.

Total operating expenses increased by \$30.1 million from the prior year, primarily due to the increase in claim-related expenses of approximately \$27 million. Professional services and general administrative costs also increased by \$2.4 million, mostly due to the increase in claim adjusting costs as a result of adding new members. Due to the substantial equity in the program and to help members with their fiscal challenges, this year ASCIP's Executive Committee declared another dividend totaling \$9.6 million. Over the last seventeen years, the Workers' Compensation Program has returned a total of \$85.6 million back to its members.

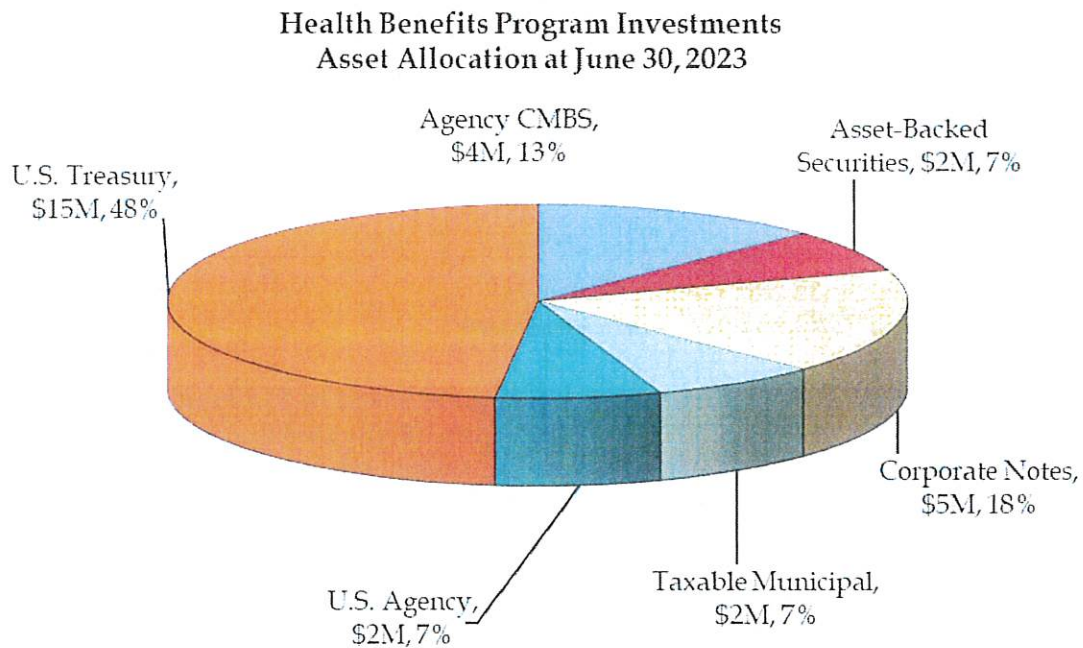
ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Health Benefits Program

As of June 30, 2023, the Health Benefits Program had total assets of \$54.5 million, a decrease of \$15.7 million from the prior year. The decrease was mainly due to the issuance of member dividends. Cash in the LA County Treasurer's Pool went down by \$6.3 million, primarily due to the transfer of \$10.0 million to the investment portfolio to purchase long-term investments to maximize investment earnings. The investment portfolio balance increased by \$9.5 million as of June 30, 2023 after adjusting for unrealized loss.

The following graph depicts the asset allocation of the investment portfolio:



Note: MBS Passthrough and Cash & Money Market Securities are both below \$1M

The total liabilities decreased by approximately \$7.0 million to \$15.4 million. The decrease was attributable to the transferring of the new building land lease liability to the Workers' Compensation Program. Total liabilities included \$3.3 million in premium dividend payable. Although \$8.0 million in dividend were declared, \$3.3 million were unpaid and accrued as dividend payable at the end of the year. The unpaid claims liability increased slightly by \$400,000 to \$6.3 million, mostly driven by the increase in IBNR reserves for the medical plan.

Member contributions totaled nearly \$170 million including \$123 million from the medical and miscellaneous plans, \$41.4 million from the dental plans, and \$5.5 million from the vision plans. Total member contributions for the year was essentially flat. The program earned total interest income of \$1.4 million this year, compared to \$340,000 last year, due to higher interest rates, but recognized an unrealized loss of \$687,000.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

The Health Benefits Program incurred total operating expenses of \$179.2 million, an increase of \$9.5 million. The overall increase was predominantly due to the increase in claim payments and increase in carrier premiums from the medical plans as a result of premium rate increases. Similar to the last five years, due to the program's favorable overall loss experience and substantial equity balance, the Executive Committee declared another dividend in the amount of \$8.0 million, compared to \$5.1 million declared in the prior year, which brought the total cumulative dividends issued to \$46.7 million in the last six years.

The program ended the year with a net position of \$48.1 million, a decrease of \$8.6 million, mainly due to the dividend distribution and unrealized losses in investments. Without the dividend and unrealized loss, the program would have an earned surplus of \$118,000.

Captive Insurance for Public Agencies, Limited. (CIPA)

CIPA is a licensed pure captive insurance company operating for the sole benefit of ASCIP. CIPA was incorporated and received its Certificate of Authority from the Insurance Commissioner of the State of Hawaii in 2005. CIPA utilizes a captive administrator with an office in Honolulu, Hawaii, along with contracted staff to manage the various programs, described below. ASCIP also provides some minimal administrative support to CIPA.

Owner-Controller Insurance Program (OCIP)

The OCIP insures new construction and renovation projects undertaken by participating districts, covering contractors and all their subcontractors on any work at or emanating from the project site. CIPA provides workers' compensation, employers' liability and general liability deductible reimbursement coverage of \$500,000 per occurrence.

In fiscal year 2022-23, the OCIP Program enrolled one new stand-alone construction project and closed seven projects resulting in total net enrolled revenue of \$343,000. In compliance with Generally Accepted Accounting Principles (GAAP), the OCIP program recognizes revenues over the life of the projects.

Student Accident Program

Effective July 1, 2016, CIPA began providing reinsurance for a student accident insurance program offered to all ASCIP members. Under the terms of a reinsurance agreement with a fronting carrier, CIPA participates on a 50% quota share basis in the program.

Pupil Transportation Program

Effective July 1, 2018, ASCIP extended automobile liability and errors and omissions liability coverage to one High School District for its pupil transportation services, where ASCIP retains \$500,000 per occurrence and obtained specific reinsurance for \$4,500,000 excess of the \$500,000 retention. CIPA provides self-insured retention reimbursement coverage to ASCIP for losses within the \$500,000 retention, subject to the district's \$25,000 deductible per occurrence.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Workers' Compensation Self-Insured Retention Assumption (SIRA)

In 2019, ASCIP entered into a Self-Insured Retention Assumption agreement (SIRA) with a member school district to assume certain workers' compensation liabilities from the member district. In a separate loss portfolio transfer agreement effective on the same date, ASCIP transferred 100% of its ultimate net loss related to the aforementioned liabilities to two different reinsurance partners on a 50-50 percent basis. One of these reinsurance partners was CIPA.

In June 2021, ASCIP entered into another SIRA with a member JPA to assume their tail workers' compensation claims liability.

Corridor Program

Effective April 1, 2022, CIPA reinsures ASCIP's property program for a \$2.5 million annual aggregate corridor layer that sits between ASCIP's \$1 million per-occurrence self-insured retention and the attachment of the excess property coverage from third-party carriers. Effective April 1, 2023, the corridor layer increased to \$3 million.

Effective July 1, 2022, CIPA also assumed a casualty facultative excess of loss coverage for ASCIP's losses occurring in a \$2.5 million annual aggregate corridor. This coverage expired on July 1, 2023 and was not renewed.

CIPA generated a net income of \$0.7 million, compared to \$1.23 million the prior year. The decrease was driven by a reduction in OCIP projects written and insurance rates for the Student Accident program.

Facts or Conditions That Are Expected to Have a Significant Effect on The Financial Position or Result of Operations

One of the fastest growing exposures is personal tort liability claims arising from accusations of lack of oversight and protection with regards to childhood sexual assault involving students.

The recent passage of California Assembly Bill 218, which took effect January 1, 2020, substantially increases the statute of limitations for filing claims based on such accusations. Jury verdicts are unpredictable. While the future is uncertain and dependent on many case-by-case factors, this could have a substantial negative impact on not only future claim liabilities, but also on insurance and reinsurance carrier's willingness to underwrite this coverage for schools in the State of California.

In an effort to control the uncertainty of this potential liability ASCIP moved its coverage for this risk from occurrence-based to claims-made policy coverage effective July 1, 2020. ASCIP has also devoted increased staff and resources to assist our members in preventing this growing threat

Another area of concern is the rising cost of property coverage as a result of the growing number of catastrophic wildfires in the State of California. The last three years have seen billions of dollars of losses throughout the State. While the public utility companies strive to mitigate this risk with planned power outages, these outages create other risks of loss. ASCIP continues to invest in several prevention and mitigation efforts to control the cost of these potential losses. The cost of this coverage is expected to continue to rise.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Cyber security is another growing risk. Attacks such as ransomware, malware, phishing, hacking, identity theft, security breaches and social engineering are expected to continue to increase, with schools becoming a growing target for such attackers. ASCIP has devoted increased staff and resources to assist our members in protecting themselves from this growing threat, both before and after an attack. This is a global geo-economic problem and the cost, both economic and social, is expected to continue to rise.

Insurance providers, such as ASCIP, depend heavily on investment returns to fund a portion of our claims liabilities. Market interest rates for fixed income securities continued to increase last year, but appear to be close to stabilizing. This has resulted in the recording of substantial unrealized losses. Since ASCIP expects to hold most of its securities to maturity, these unrealized losses are expected to reverse themselves over the next several years.

BASIC FINANCIAL STATEMENTS

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STATEMENT OF NET POSITION JUNE 30, 2023

	2023	Memo Only 2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 38,889,525	\$ 77,518,657
Restricted cash and cash equivalents	21,253,476	20,353,458
Accounts receivable	18,895,520	16,710,115
Prepaid expenses and other assets	14,040,571	12,402,566
Investments maturing within one year	65,566,645	14,099,657
Restricted investments maturing within one year	12,041,819	14,348,498
Total current assets	170,687,556	155,432,951
Noncurrent assets:		
Other receivable	5,063,162	
Investments, net of amount maturing within one year	315,684,477	341,389,126
Deposits	4,721,090	4,721,700
Capital assets, net	16,351,869	15,582,715
Intangible right-to-use lease asset	6,875,663	6,983,903
Total noncurrent assets	348,696,261	368,677,444
Total assets	519,383,817	524,110,395
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources for pension	2,445,419	1,355,136
LIABILITIES:		
Current liabilities:		
Accounts payable	12,165,607	9,585,705
Unearned premium revenues	1,042,065	1,757,870
Premium dividends payable	6,163,227	7,252,830
Licensing agreement obligation		267,622
Member risk management fund	19,367,385	17,677,169
Safety credit payable	1,886,091	2,676,289
Current portion of unpaid claims	66,196,285	45,824,002
Unallocated claims adjustment expense	19,657,707	18,092,615
Total current liabilities	126,478,367	103,134,102
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses, net of current portion	210,611,818	194,837,609
Net pension liability	3,167,804	1,276,819
Deferred retirement benefit	528,741	
Lease liability	7,002,627	7,002,627
Total noncurrent liabilities	221,310,990	203,117,055
Total liabilities	347,789,357	306,251,157
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources for pension	42,609	772,534
NET POSITION:		
Invested in capital assets	16,224,905	15,563,991
Restricted	12,041,819	14,348,498
Unrestricted	145,730,546	188,529,351
Total net position	\$ 173,997,270	\$ 218,441,840

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

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023**

	2023	Memo Only 2022
OPERATING REVENUES:		
Premium contributions from members	\$ 294,480,133	\$ 287,307,997
Other income	<u>109,929</u>	<u>145,571</u>
Total operating revenues	<u>294,590,062</u>	<u>287,453,568</u>
OPERATING EXPENSES:		
Claims expense, net of reimbursements of \$17,380,206	147,161,311	121,971,153
Provision for IBNR and case reserves	36,146,493	3,260,027
Provision for ULAE reserves	1,565,092	(446,983)
Excess/reinsurance premiums	29,708,400	31,297,083
Health benefits insurance premiums	76,838,285	74,467,505
Contract services	12,594,470	12,169,483
Loss control and risk management	3,875,299	3,534,437
General and administrative	13,970,114	9,983,609
Premium dividends	<u>17,639,142</u>	<u>14,445,618</u>
Total operating expenses	<u>339,498,606</u>	<u>270,681,932</u>
Operating income (loss)	<u>(44,908,544)</u>	<u>16,771,636</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest and dividend income	9,240,661	5,133,476
Net realized/unrealized loss on investments	<u>(8,776,687)</u>	<u>(30,183,717)</u>
Total non-operating income (loss)	<u>463,974</u>	<u>(25,050,241)</u>
Decrease in net position	(44,444,570)	(8,278,605)
Net position, beginning of year	<u>218,441,840</u>	<u>226,720,445</u>
Net position, end of year	<u>\$ 173,997,270</u>	<u>\$ 218,441,840</u>

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2023

	2023	Memo Only 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from premium contributions and other income	\$ 293,741,432	\$ 285,000,261
Cash paid for claims	(147,161,312)	(122,015,689)
Cash paid for claims in excess layer	(17,380,206)	(4,706,923)
Cash received from reinsurer	12,263,811	5,820,945
Cash paid for benefits, insurance, and other expenses	(145,234,424)	(154,804,653)
Cash paid to employees	(8,479,701)	(7,503,649)
Cash paid to pension plan and retirees	(975,538)	(645,918)
Net cash provided (used) by operating activities	<u>(13,225,938)</u>	<u>1,144,374</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Purchase of capital assets	(1,202,359)	(11,759,726)
Principal payment on lease liability		(39,906)
Net cash used by capital and financing activities	<u>(1,202,359)</u>	<u>(11,799,632)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(225,383,731)	(202,413,340)
Proceeds from sale or maturity of investments	190,738,943	153,649,728
Interest and investment income received	11,343,971	5,016,114
Net cash used by investing activities	<u>(23,300,817)</u>	<u>(43,747,498)</u>
Net decrease in cash and cash equivalents	(37,729,114)	(54,402,756)
Cash and cash equivalents, beginning of year	<u>97,872,115</u>	<u>152,274,871</u>
Cash and cash equivalents, end of year	<u>\$ 60,143,001</u>	<u>\$ 97,872,115</u>
RECONCILIATION TO STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 38,889,525	\$ 77,518,657
Restricted cash and cash equivalents	<u>21,253,476</u>	<u>20,353,458</u>
Cash and cash equivalents, end of year	<u>\$ 60,143,001</u>	<u>\$ 97,872,115</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (44,908,544)	\$ 16,771,636
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	541,445	503,896
(Increase) decrease in:		
Accounts receivable and other receivable	(6,939,436)	(3,335,153)
Prepaid expenses and other assets and deposits	(1,637,395)	(9,034,360)
Deferred outflows of resources	(1,090,283)	11,940
Increase (decrease) in:		
Accounts payable and other liabilities	432,479	(7,402,910)
Unearned premium revenues	(715,805)	(3,609,000)
Member risk management fund	1,690,216	5,604,868
Unpaid claims and claim adjustment expense	37,711,584	2,768,508
Net pension liability	2,496,829	(1,889,472)
Deferred retirement benefit	(77,103)	
Deferred inflows of resources	<u>(729,925)</u>	<u>754,421</u>
Net cash provided (used) by operating activities	<u>\$ (13,225,938)</u>	<u>\$ 1,144,374</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Unrealized loss on investments	<u>\$ (8,425,495)</u>	<u>\$ (23,257,076)</u>
Acquisition of right-to-use lease asset through lease liability	<u>\$ -</u>	<u>\$ 7,042,533</u>

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Alliance of Schools for Cooperative Insurance Programs (ASCIP) was formed in October 1985, under a joint powers agreement (JPA) between participating school districts located within Los Angeles and Orange Counties, pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the California Government Code. Subsequently, ASCIP expanded to a statewide charter effective 1994. The purpose of ASCIP is to provide a more viable and economical insurance program to its members than they might otherwise be able to obtain operating on their own. During the fiscal year ended June 30, 2023, there were 138 participants in ASCIP programs.

The annual deposit premium for each member is calculated based upon factors normally used to calculate annual insurance premiums, such as exposure units, coverage rates and experience modification factors.

In the event of the dissolution of ASCIP, 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 school districts.

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

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

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

CIPA insures (or reinsures) coverages that are either, materially non-homogenous across the membership of ASCIP and feasible to be insured or reinsured or are non-District risks which ASCIP or its members have facilitated being insured as reducing potential risk to ASCIP programs or its members.

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Basis of Presentation

For financial reporting purposes, ASCIP is considered a special-purpose government engaged only in business-type activities. Accordingly, the accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with governmental generally accepted accounting principles. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. Operating revenues include premium deposits from members net of any applicable rate credits. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium dividends, and general and administrative expenses.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. ASCIP has three enterprise funds and no internal service funds. These enterprise funds are also referred to as Programs.

1) Property & Liability Fund

Members participate in the following coverages:

General & Auto Liability:

A self-funded liability insurance plan covering claims up to \$5,000,000 per occurrence. Some policy years include a reinsured liability insurance program covering claims within various corridor/aggregate layers and/or quota share positions. Members have the option to choose deductibles ranging from \$0 - \$250,000, and with reinsurance support as follows:

Property:

A self-funded property insurance plan covering claims up to \$1,000,000 per occurrence. Some policy years include an additional self-funded aggregate layer up to \$3,000,000. Members have the option to choose deductibles ranging from \$5,000 - \$250,000.

A fully reinsured property insurance program covering claims beyond the self-funded layer, up to \$500,000,000 per occurrence. This limit was \$600,000,000 prior to July 1, 2020.

Crime:

A self-funded crime insurance plan, including employee faithful performance, covering claims up to \$250,000. Each district has a \$500 deductible.

A fully insured insurance plan covering claims above \$250,000 up to various limits ranging between \$1,000,000 and \$5,000,000.

Auto Physical Damage:

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Cyber:

A self-funded cyber insurance plan covering forensic, recovery, and restoration services with the limited ransom coverage above a \$5,000 deductible up to \$1,000,000, with an aggregate limit of \$5,000,000.

2) Workers' Compensation Fund

A self-funded workers' compensation plan covering claims up to \$1,000,000 per occurrence for workers' compensation and employer liability benefits. Members have the option to choose deductibles ranging from \$0 - \$350,000.

A fully insured excess coverage for claims excess of \$1,000,000 per occurrence to statutory limits.

3) Health Benefits Fund

Members participate in the following coverages:

Medical:

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

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

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

Dental:

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

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

Vision:

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

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Ancillary Programs:

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

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

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

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

In addition to these three funds (programs), ASCIP's component unit, CIPA, accounts for the following coverages on a full-accrual basis.

1) Owner-Controlled Insurance Program (OCIP)

Members may participate in the following plans:

A self-funded OCIP Plan that covers public school construction projects, their construction contractors and subcontractors for workers' compensation and general liability up to \$500,000 per occurrence and a fully-reinsured OCIP plan between \$500,000 to statutory limit for workers' compensation benefits and between \$500,000 to various limits for various general liability coverages.

2) Student Accidental

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

3) Pupil Transit

A self-funded pupil transit plan that provides automobile liability and errors and omissions liability coverage up to \$500,000 per occurrence with member deductible of \$25,000 per occurrence and a fully-insured pupil transit program that provides automobile liability and errors and omissions liability coverage between \$500,000 to \$5,000,000 per occurrence.

4) Workers' Compensation Self-Insured Retention Assumption

A self-funded assumption of certain workers' compensation claims below purchased deductibles ranging up to \$1,000,000.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

5) Corridor Reinsurance

Effective April 1, 2022, CIPA reinsures ASCIP's property coverage for a \$2.5 million annual aggregate corridor layer that sits between ASCIP's \$1 million per-occurrence self-insured retention and the attachment of the excess property coverage from third-party carriers.

Effective July 1, 2022, CIPA also assumed a casualty facultative excess of loss coverage for ASCIP's losses occurring in a \$2.5 million annual aggregate corridor. This coverage expired on July 1, 2023 and was not renewed.

Effective April 1, 2023, the aggregate corridor layer was raised to \$3.0 million.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ASCIP considers investments in the Los Angeles County Treasury Pool (LACTP), investment in the State of California's Local Agency Investment Fund (LAIF), and money market mutual funds to be cash equivalents.

Investment and Investment Pools

ASCIP records its investments at fair value and cash in LAIF and LACTP investment pools at amortized cost which approximates fair value. Changes in fair value are reported as revenue in the *Statement of Revenues, Expenses, and Changes in Net Position*. The effect of recording investments and investment pools at fair value is reflected as a net unrealized gain (loss) on investments in the statement of revenues, expenses, and changes in net position. Fair value of investments has been determined based on quoted market prices.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The CIPA OCIP program requires that certain investments be set aside as collateral for the self-insured retention. These are classified as restricted investments because their use is limited. In addition, amounts equivalent to the Member Risk Management Fund (Note 8) and Safety Credit Payable (Note 9) are also classified as restricted cash and equivalents because they can only be used at member direction to offset future premiums or for other risk management and safety expenses.

Prepaid Expenses

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

Deposits

Deposits represent amounts paid on variable cost reserve calculations, which are based on one and a half months of projected claim payments.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Capital Assets

Equipment acquired by ASCIP is capitalized. Depreciation of capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives ranging from three to thirty years using the straight-line method of depreciation. Depreciation expense amounted to \$433,205 for the year ended June 30, 2023.

Unearned Revenue (Premium Income)

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

Unpaid Claims Liabilities

ASCIP establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for 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.

Deferred Outflows/Inflows of Resources

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

Contributions made to ASCIP's pension plan after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

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NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Additional factors involved in the calculation of ASCIP's pension expense and liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between ASCIP's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

Leases

ASCIP recognizes a lease when the lease terms include a noncancelable period of more than one year. ASCIP recognized a lease liability and an intangible right-to-use lease asset (lease asset) at the commencement of a lease and initially measures them at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made and the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

ASCIP estimates its incremental borrowing rate as the discount rate for expected lease payments and the noncancelable period for its leases. Additionally, ASCIP monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease liability if certain changes occur that are expected to significantly affect their lease liability.

Pensions

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

Deferred Retirement Benefit

The deferred retirement benefit liability was valued using an actuarially calculated present value of accrued benefits model. Benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Premium Dividends

An accrual for premium dividends is estimated based on ASCIP's historical and current claims experience and recorded upon approval by the Board.

Excess Insurance/Reinsurance

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

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Income Taxes

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

Use of Estimates

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 5,040,206
Certificates of Deposit	2,400,000
Investments classified as cash equivalents:	
Investment in Local Agency Investment Fund	60,042
Investment in Los Angeles County Treasury Pool	45,896,654
Investment in Money Market Mutual Funds	<u>6,746,099</u>
Total Cash and Cash Equivalents	<u>\$ 60,143,001</u>

Investments

Investments as of June 30, 2023, are classified as follows:

Investments maturing within one year	
Unrestricted	\$ 65,566,645
Restricted	12,041,819
Investments maturing after one year	
Unrestricted	<u>315,684,477</u>
Total Investments	<u>\$ 393,292,941</u>

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Policies and Practices

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

Investment in Los Angeles County Treasury Pool

ASCIP is a voluntary participant in the Los Angeles County Treasury Pool (LACTP). The cost of ASCIP's investment in the pool is reported in the accompanying financial statements at amounts based upon ASCIP's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. For additional information visit the Los Angeles County Treasurer's website at: <https://ttc.lacounty.gov/>.

Investment in the State of California's Local Agency Investment Fund

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	20 years	None	None
U.S. Agency Securities	20 years	None	25%
Supranationals	20 years	30%	15%
Municipal Securities	20 years	None	5%/3%
Banker's Acceptance	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposits	5 years	30%	3%
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Funds	N/A	20%	5%
Mortgage- and Asset-Backed Securities	5 years	20%	3%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	\$75 million	\$75 million
Joint Powers Authority Pools	N/A	None	None
Bank Deposits	N/A	None	None

Additional notes:

- The purchases of U.S. Treasury, Municipal, Federal Agency, and Negotiable CD securities with maturities in excess of five (5) years is permitted, subject to the follow constraints: U.S. Treasury, Municipal, Federal Agency, and Negotiable CD securities shall have a maximum remaining maturity at the time of purchase of twenty (20) years or less, and Federal Agency mortgage-backed securities (including pass-throughs and CMOs) shall have maximum remaining average life of ten years or less.
- The per issuer limit for non-government issuers is 5% for securities rated in the AAA or AA category (Short-Term A-1 category) and 3% for securities rated in the A category.
- A per state exposure of 10% as percentage of total portfolio is followed for municipal obligations.
- The maximum maturity for time certificates of deposit is one year with a maximum of 20% of the portfolio may be invested in time certificates of deposit.
- U.S. Government and Agency Obligations allowed 100%, and combined Non-Agency MBS, ABS, CMBS is 20%; For U.S. Agency Mortgage Related Securities, the single issuer diversification limitation is as followed: Full Faith & Credit Agencies, including GNMA shall have a maximum single issuer allocation of no more than 40% (and a maximum 4% per pool), and FNMA and FHLMC shall have a maximum single issuer allocation of no more than 15% (and a maximum 3% per pool); ABS shall have no issuer allocation greater than 3% and 1% per pool.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
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**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

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

In accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, ASCIP reports its investments at their fair value. The annual change in the fair value is reported as a Non-Operating Expense on the Combined Statement of Revenues, Expenses, and Changes in Net Position as Net Unrealized Loss on Investments. Due to the rise in market interest rates over the last two years, this has resulted in large unrealized losses on ASCIP's portfolios. Since ASCIP intends to hold these securities to maturity, these losses are considered temporary in nature and are expected to reverse themselves as investments near maturity over the next few years. The following summarizes the cumulative total of these unrealized market value losses by program.

<u>Investments</u>	<u>Property & Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>	<u>CIPA</u>	<u>Total</u>
Investments at Amortized Book Value	\$ 160,199,633	\$ 222,393,024	\$ 32,588,779	\$ 20,041,722	\$ 435,223,158
Cumulative Unrealized Market Value Losses	\$ (9,323,936)	\$ (24,658,162)	\$ (1,025,154)	\$ (151,183)	\$ (35,158,435)
Investments at Market Value	\$ 144,591,820	\$ 197,697,591	\$ 31,112,991	\$ 19,890,539	\$ 393,292,941

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
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**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

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

<u>Cash/Investment Type</u>	<u>Reported Amount</u>	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
County Pool	\$ 45,896,654	\$ 45,896,654	\$ -	\$ -	\$ -
State Investment Pool	60,042	60,042	-	-	-
Money Market Mutual Funds	6,746,099	6,746,099	-	-	-
	<u>52,702,795</u>	<u>52,702,795</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Treasury Obligations	232,835,516	40,474,026	13,233,551	86,190,239	92,937,700
Negotiable Certificates of Deposit	7,000,000	7,000,000	-	-	-
Federal Agencies Obligations	60,432,394	9,936,060	30,386,709	17,626,191	2,483,434
Corporate Notes	65,329,643	15,496,890	24,815,143	25,017,610	-
Supranational Obligations	3,949,685	779,216	1,629,702	1,540,767	-
Mortgage Pass Through Obligations	7,257,660	-	1,019,571	1,980,846	4,257,243
Mortgage- and Asset-Backed Securities	3,480,349	8,045	610,337	2,861,967	-
Municipal Securities	13,007,694	3,914,227	1,901,230	4,797,238	2,394,999
	<u>393,292,941</u>	<u>70,608,464</u>	<u>80,596,243</u>	<u>140,014,858</u>	<u>102,073,376</u>
Total	<u>\$ 445,995,736</u>	<u>\$130,311,259</u>	<u>\$ 73,596,243</u>	<u>\$ 140,014,858</u>	<u>\$ 102,073,376</u>

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Credit Risk

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

<u>Cash/Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>S&P and Fitch Ratings as of Year End</u>				
			<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
U.S. Treasury Obligations	\$ 232,835,516	**	\$ -	\$ 232,835,516	\$ -	\$ -	\$ -
Negotiable Certificates of Deposits	7,000,000	*	7,000,000	-	-	-	-
Federal Agencies Obligations	60,432,394	*	-	60,432,394	-	-	-
Corporate Notes	65,329,643	A	-	6,347,168	58,982,475	-	-
Supranational Obligations	3,949,685	AA	3,949,685	-	-	-	-
Mortgage Pass Through Obligations	7,257,660	AA	186,405	7,071,255	-	-	-
Mortgage- and Asset-Backed Securities	3,480,349	AA	3,480,349	-	-	-	-
Municipal Securities	13,007,694	*	4,411,482	7,669,711	926,501	-	-
County Pool	45,896,654	*	-	-	-	-	45,896,654
State Investment Pool	60,042	*	-	-	-	-	60,042
Money Market Mutual Funds	6,746,099		-	-	-	-	6,746,099
Total	<u>\$ 445,995,736</u>		<u>\$ 19,027,921</u>	<u>\$ 314,356,044</u>	<u>\$ 59,908,976</u>	<u>\$ -</u>	<u>\$ 52,702,795</u>

* Not required to be rated

** Exempt from disclosure

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The investment policy of ASCIP limits the investment in any one non-governmental issuer to 5% or less depending on the security's credit rating. GASB Statement No. 40 requires that investments in any one issuer (other than those explicitly guaranteed or issued by the U.S. government or those invested in mutual funds, external investment pools or other pooled investments) that represent 5% or more of total investments be disclosed. As of June 30, 2023, no such investments exceeded 5%.

Custodial Credit Risk

This is the risk that in the event of a bank failure, ASCIP's deposits may not be returned to it. 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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

regulated under State law (the governmental unit may waive collateral for amounts covered by Federal deposit insurance). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2023, ASCIP's bank balance was insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of ASCIP.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 Inputs to the valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

ASCIP's fair value measurements are as follows at June 30, 2023:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>	
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
U.S. Treasury Obligations	\$ 232,835,516	\$ 232,835,516	\$ -
Negotiable Certificates of Deposit	7,000,000	-	7,000,000
Federal Agencies Obligations	60,432,394	-	60,432,394
Corporate Notes	65,329,643	-	65,329,643
Supranational Obligations	3,949,685	-	3,949,685
Mortgage Pass Through Obligations	3,480,349	-	3,480,349
Mortgage- and Asset-Backed Securities	7,257,660	-	7,257,660
Municipal Securities	13,007,694	-	13,007,694
County Pool	45,896,654	-	45,896,654
State Investment Pool	60,042	-	60,042
Money Market Mutual Funds	6,746,099	-	6,746,099
Total	<u>\$ 445,995,736</u>	<u>\$ 232,835,516</u>	<u>\$ 213,160,220</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023, consist of the following:

	<u>Property & Liability Fund</u>	<u>Workers' Compensation Fund</u>	<u>Health Benefits Fund</u>	<u>CIPA</u>	<u>Total</u>
Accrued investment income	\$ 625,503	\$ 984,727	\$ 339,644	\$ -	\$ 1,949,874
Excess insurance recoveries	11,343,686	-	-	-	11,343,686
Other accounts receivable	5,207,642	3,812,877	873,851	770,752	10,665,122
Total	<u>\$17,176,831</u>	<u>\$ 4,797,604</u>	<u>\$1,213,495</u>	<u>\$ 770,752</u>	<u>\$23,958,682</u>

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

5. CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2023, consists of the following:

	Balance Beginning of Year	Additions	Disposals	Balance End of Year
Land and buildings	\$ 17,863,258	\$ 1,196,846	\$ (20,000)	\$ 19,040,104
Equipment	2,420,142	25,513	(32,577)	2,413,078
Accumulated depreciation	(4,700,685)	(433,205)	32,577	(5,101,313)
Capital assets, net	<u>\$ 15,582,715</u>	<u>\$ 789,154</u>	<u>\$ (20,000)</u>	<u>\$ 16,351,869</u>

6. ACCOUNTS PAYABLE

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

Type	Property & Liability Fund	Workers' Compensation Fund	Health Benefits Fund	CIPA	Total
Salaries and benefits	\$ 299,355	\$ 34,040	\$ 41,927	\$ -	\$ 375,322
Accrued vacation	467,929	97,879	54,839	-	620,647
Other operating	1,217,922	1,202,972	4,789,140	1,464,277	8,674,311
Due to members	249,926	2,245,401	-	-	2,495,327
Total	<u>\$ 2,235,132</u>	<u>\$ 3,580,292</u>	<u>\$ 4,885,906</u>	<u>\$ 1,464,277</u>	<u>\$ 12,165,607</u>

7. PREMIUM DIVIDENDS

ASCIP is required by its bylaws to recalculate and adjust prior years' premium deposits at annual intervals until all claims are closed or until the Executive Committee determines that sufficient facts are known so that no additional calculations should be made. In 2023, retrospective adjustments for workers' compensation and health benefits were \$9,616,403 and \$8,022,739, respectively. The adjustments were calculated related to workers' compensation for the eleven years ended June 30, 2005 through June 30, 2015 and related to health benefits for the four years ended June 30, 2016 through June 30, 2019.

8. MEMBER RISK MANAGEMENT FUND

The Member Risk Management Fund (MRMF) was established to provide participating members with the option to defer receipt of distributions made by ASCIP. The deferred funds may be used to off-set future ASCIP premiums or other district related needs. Deferral requires both written authorization by the member's senior administrative official and approval by ASCIP's Executive Committee. ASCIP limits the total amount of funds held in the MRMF to the member's total annual

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

premiums. ASCIP credits interest income to member funds held within the MRMF and provides members with quarterly statements. Withdrawal of MRMF funds requires written instructions from the senior administrator or their designee(s). As of June 30, 2023, ASCIP reported a total balance of \$19,367,385 in its MRMF. This balance is included with restricted cash and cash equivalents.

9. SAFETY CREDIT PAYABLE

The Safety Credit program was established by ASCIP to offer its members with the ability to utilize portions of their premiums set aside by ASCIP to finance flexible safety-oriented activities and programs conducted by the members. The Safety Credit program is administered by ASCIP as a reimbursement-basis program. Members are reimbursed upon the submission of adequate supporting documents. Annually, one percent of member premium contributions to the Property & Liability and Workers' Compensation Programs are set aside for the Safety Credit program for each member participating in ASCIP Property & Liability and Workers' Compensation Programs. Safety credits set aside by ASCIP are subject to three-years rolling expiration. A corresponding amount is included in restricted cash and cash equivalents since the credits can only be utilized by members and are not subject to use by ASCIP until expiration. As of June 30, 2023, ASCIP reported the following Safety Credit Payable:

Property & Liability Program	\$ 1,209,287
Workers' Compensation Program	<u>676,804</u>
Total	<u>\$ 1,886,091</u>

10. UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

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

The liability recorded for incurred losses is based on information obtained from independent actuarial reports. The supporting information provided by ASCIP relies on the continuance of certain historical trends and forecasts of future activities and conditions. Although management believes that the claims payable for losses and loss expenses at June 30, 2023, is adequate, the ultimate settlement of claims and related expenses may vary from the liability recorded.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
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**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

11. RECONCILIATION OF UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

As discussed in Note 10, ASCIP establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for ASCIP during the fiscal years ended June 30, 2023 and 2022:

	2023	2022
Unpaid claims at beginning of year	\$ 258,754,226	\$ 255,985,718
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	163,288,541	151,270,793
Increase (decrease) in provision for insured events of prior years	<u>21,584,355</u>	<u>(26,486,596)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>184,872,896</u>	<u>124,784,197</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	84,292,587	77,815,186
Claims and claim adjustment expenses attributable to insured events of prior years	<u>62,868,725</u>	<u>44,200,503</u>
Total Payments	<u>147,161,312</u>	<u>122,015,689</u>
Total unpaid claims at end of year	<u>\$ 296,465,810</u>	<u>\$ 258,754,226</u>
Current portion	\$ 66,196,285	\$ 45,824,002
Unallocated loss adjustment expense	19,657,707	18,092,615
Noncurrent portion	<u>210,611,818</u>	<u>194,837,609</u>
Total unpaid claims at end of year	<u>\$ 296,465,810</u>	<u>\$ 258,754,226</u>

12. EMPLOYEE RETIREMENT SYSTEM

ASCIP provides pension benefits to its employees through ASCIP's Miscellaneous Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan maintained by CalPERS, an agency of the State of California. ASCIP had less than 100 active members as of the June 30, 2021 actuarial valuation. As a result, qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and have a minimum of five years of CalPERS-credited service. Members after December 2012 must be at least 52 to be eligible for service retirement.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. ASCIP is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. ASCIP's required contribution rate on covered payroll for the measurement period ended June 30, 2022 (the measurement date) was 10.88% and 7.59% of annual pay for Classic and PEPR employees, respectively. Employer contribution rates may change if plan contracts are amended. For the year ended June 30, 2023, the employer contributions to the plan were \$889,023.

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

ASCIP's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2022 for the year ended June 30, 2023. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. As of June 30, 2023, ASCIP's proportionate share of the Plan's NPL was \$3,167,804.

Using ASCIP's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for ASCIP by the actuary. ASCIP's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 were as follows:

	Plan
Proportion - June 30, 2021	.035337%
Proportion - June 30, 2022	.067699%
Change - increase (decrease)	.032362%

For the year ended June 30, 2023, ASCIP recognized pension expense of \$1,575,056.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

At June 30, 2023, ASCIP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,616	\$ (42,609)
Changes of assumptions	324,608	-
Net difference between projected and actual earnings on pension plan investments	580,258	-
Net changes in proportionate share of net pension liability	590,265	-
Changes in proportionate share of contributions	(2,351)	-
Pension contributions subsequent to measurement date	889,023	-
Total	\$ 2,445,419	\$ (42,609)

As of June 30, 2023, the \$889,023 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2024. As of June 30, 2023, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense (benefit) as follows:

Year Ended June 30	Amount
2024	\$ 518,548
2025	421,532
2026	218,802
2027	354,905
Total	\$ 1,513,787

Actuarial Methods and Assumptions

The collective TPL for the June 30, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the TPL to June 30, 2022. The collective TPL was based on the following assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Changes of Assumptions

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The table below reflects the long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return ⁽¹⁾⁽²⁾</u>
Global Equity – cap-weighted	30.00%	4.45%
Global Equity – non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.84%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	<u>100.00%</u>	

⁽¹⁾ An expected inflation of 2.30% was used for this period.

⁽²⁾ Figures are based on the 2021-22 Asset Liability Management study.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Sensitivity of ASCIP's Proportional Share of the NPL to Changes in the Discount Rate

The following presents ASCIP's Proportional Share of the NPL of the Plan as of the June 30, 2022 measurement date, calculated using the discount rate of 6.90%, as well as what ASCIP's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Discount Rate – 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
ASCIP's Proportionate Share of Plan's NPL	\$ 5,603,210	\$ 3,167,804	\$ 1,164,069

13. DEFERRED RETIREMENT BENEFIT

Plan Description

ASCIP provides a post-employment lump sum payment to employees who meet certain criteria. These lump sum payments are related to a closed group of participants who were previously eligible for monthly post-retirement medical payments. As of June 30, 2023, ASCIP had not established an irrevocable trust or designated a trustee for the payment of plan benefits. Additionally, payments to beneficiaries are in the form of cash with no requirements for payments to be used to fund retiree medical benefits. As such, GASB Statements 68 and 75 do not apply. An actuarial valuation model was used to develop the liabilities for the May 31, 2023, measurement. During the year ended June 30, 2023, ASCIP paid benefits to retirees of \$84,413.

Benefits Provided

Employees who retire from ASCIP may be eligible for benefits pursuant to the provisions below:

- | | |
|----------------------|---|
| Eligibility | <ul style="list-style-type: none"> • Retire from active service • 10 years of service • Hired prior to July 1, 2017 |
| Survivor Eligibility | No |
| Benefits | <p>All Employees</p> <ul style="list-style-type: none"> • Retirees age 55 with at least 10 years of service who retire from ASCIP are offered a lifetime subsidy to be applied for medical coverage. • Benefits are capped at \$12,162 per year. • The cap to be used for medical coverage is based on the retiree's years of service at retirement. • A retiree with 10 years of service at retirement receives a lifetime subsidy of 15% of ASCIP cap for active employees at the time of their retirement. • For each additional year of service at retirement, a retiree receives an additional 1% of the cap. For example, a retiree with 25 years of service at retirement would receive 30% of the cap for active employees. |

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Employees Covered

As of the May 31, 2023 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the plan:

Active Participants	24
Retired Participants	1
Total	25

Total Liability

ASCIP's liability of \$528,741 was measured as of May 31, 2023, and was determined by an actuarial report dated May 31, 2021, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate ⁽¹⁾	4.24%
Inflation	2.75%
Salary Increases ⁽²⁾	2.75%
Mortality ⁽³⁾	CalPERS' Data
Retirement ⁽³⁾	CalPERS' Data
Termination ⁽³⁾	CalPERS' Data

⁽¹⁾ Based on the 20-year municipal bond yield as of the Measure Date. The discount rate changed from 4.09% as of June 30, 2022 to 4.24% as of May 31, 2023.

⁽²⁾ Benefits are not salary based and therefore a wage inflation assumption of 2.75% was used. This assumption is only used for the application of the actuarial cost method.

⁽³⁾ The mortality rate table, retirement rate table, and termination rate table used were developed based on CalPERS 2021 experience study.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Changes in the Total Liability

The changes in the total liability for the plan are as follows:

	Deferred Retirement Benefit
Balance at June 30, 2022	\$ 605,844
Changes recognized for the measurement period:	
Service cost	31,808
Interest cost	24,371
Changes of benefit terms	(13,656)
Differences between expected and actual experience	-
Changes in assumptions	(35,213)
Actual benefit payments	(84,413)
Net changes	(77,103)
Balance at June 30, 2023	\$ 528,741

14. PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

SELF has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; additionally, fund transactions between SELF and ASCIP are not included in these statements. The payments to SELF for the year ended June 30, 2023, were \$19,958,546. Audited financial statements are available from SELF at their website, www.selfjpa.org.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

15. LEASES

ASCIP leases land from the City of Cerritos for land under and around where their new building resides. As of June 30, 2023, the value of the lease liability was \$7,002,627. ASCIP is required to make monthly payments that change over time based on the lease agreement. For purposes of discounting future payments on the lease, ASCIP used a discount rate of 4.00%. The right-to-use asset as of June 30, 2023 was \$6,875,663 and is being amortized over the remaining term of the lease. Accumulated amortization as of June 30, 2023 was \$166,870. The future minimum principal and interest lease payments as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 175,758	\$ 175,758
2025	-	175,758	175,758
2026	-	175,758	175,758
2027	-	175,758	175,758
2028	-	175,758	175,758
Thereafter	<u>7,002,627</u>	<u>10,390,968</u>	<u>17,393,595</u>
Totals	<u>\$ 7,002,627</u>	<u>\$ 11,269,758</u>	<u>\$ 18,272,385</u>

16. CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

1. PURPOSE OF SCHEDULES

Reconciliation of Claims Liability by Type of Contract

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

Claims Development Information

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

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

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

Schedule of ASCIP's Contributions

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

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
JUNE 30, 2023**

Property & Liability	Workers Compensation		Health Benefits		CIPA		Total		
	2022	2023	2022	2023	2022	2023	2023	2022	
092	\$ 154,086,367	\$ 80,888,657	\$ 87,075,520	\$ 6,034,862	\$ 4,825,436	\$ 10,659,615	\$ 9,998,395	\$ 258,754,226	\$ 255,985,718
098	48,307,068	36,475,336	23,764,790	80,294,881	75,685,752	1,190,344	3,513,183	163,288,541	151,270,793
335	(10,176,172)	(1,586,530)	(15,848,776)	346,428	1,010,401	2,760,122	(1,472,049)	21,584,355	(26,486,596)
315	38,130,896	34,888,806	7,916,014	80,641,309	76,696,153	3,950,466	2,041,134	184,872,896	124,784,197
403	3,133,926	5,681,899	4,738,393	74,033,998	69,821,617	22,287	121,250	84,292,587	77,815,186
639	27,912,245	11,904,003	9,364,484	6,207,612	5,665,110	1,291,471	1,258,664	62,868,725	44,200,503
042	31,046,171	17,585,902	14,102,877	80,241,610	75,486,727	1,313,758	1,379,914	147,161,312	122,015,689
365	\$ 161,171,092	\$ 98,191,561	\$ 80,888,657	\$ 6,434,561	\$ 6,034,862	\$ 13,296,323	\$ 10,659,615	\$ 296,465,810	\$ 258,754,226

required supplementary information

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

CLAIMS DEVELOPMENT INFORMATION JUNE 30, 2023

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

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

PROPERTY & LIABILITY PROGRAM CLAIMS DEVELOPMENT INFORMATION (in Thousands) JUNE 30, 2023

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$ 56,514	\$ 56,671	\$ 59,326	\$ 58,378	\$ 57,984	\$ 62,064	\$ 68,295	\$ 66,466	\$ 61,426	\$ 74,207
(13,759)	(13,578)	(14,080)	(17,787)	(17,932)	(21,678)	(14,184)	(18,429)	(22,013)	(24,272)
<u>42,755</u>	<u>43,093</u>	<u>45,246</u>	<u>40,591</u>	<u>40,052</u>	<u>40,386</u>	<u>54,111</u>	<u>48,037</u>	<u>39,413</u>	<u>49,935</u>
\$ 5,898	\$ 8,912	\$ 8,432	\$ 9,139	\$ 10,041	\$ 9,029	\$ 6,592	\$ 8,992	\$ 6,695	\$ 9,831
\$ 38,947	\$ 31,380	\$ 43,524	\$ 39,887	\$ 40,351	\$ 65,100	\$ 68,660	\$ 49,887	\$ 65,898	\$ 49,295
(1,599)	-	(9,164)	(4,918)	(5,597)	(21,273)	(28,337)	(11,822)	(18,129)	(5,215)
<u>37,348</u>	<u>31,380</u>	<u>34,360</u>	<u>34,969</u>	<u>34,754</u>	<u>43,827</u>	<u>40,323</u>	<u>38,065</u>	<u>47,769</u>	<u>44,080</u>
\$ 3,393	\$ 1,586	\$ 2,673	\$ 1,378	\$ 3,309	\$ 5,360	\$ 4,140	\$ 4,264	\$ 3,134	\$ 4,554
7,429	3,846	9,193	6,375	9,134	8,396	9,459	6,703	11,094	
11,615	13,624	13,835	15,047	18,571	13,206	12,348	8,445		
20,228	16,088	23,188	23,534	24,057	19,191	20,897			
20,633	23,419	31,777	29,942	30,078	30,090				
20,465	23,972	32,912	32,793	36,213					
22,754	24,335	35,234	36,680						
21,342	24,854	36,813							
22,922	24,837								
22,481									
\$ 9,757	\$ 9,046	\$ 18,229	\$ 30,280	\$ 16,494	\$ 17,558	\$ 4,044	\$ 4,207	\$ 18,129	\$ 5,215
\$ 37,348	\$ 31,380	\$ 34,360	\$ 34,969	\$ 34,754	\$ 43,827	\$ 40,323	\$ 38,065	\$ 47,769	\$ 44,080
30,298	28,082	31,206	33,584	39,901	39,433	37,947	20,518	55,675	
29,198	29,866	31,722	44,963	42,096	37,606	32,863	17,205		
28,860	29,596	37,313	44,441	40,225	37,924	38,506			
28,293	28,014	39,877	45,681	43,955	43,406				
24,400	27,746	39,236	46,037	47,024					
24,759	27,467	38,230	42,039						
23,934	27,956	40,935							
24,695	26,336								
25,121									
ar \$ (12,227)	\$ (5,044)	\$ 6,575	\$ 7,070	\$ 12,270	\$ (421)	\$ (1,817)	\$ (20,860)	\$ 7,906	\$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

WORKERS' COMPENSATION PROGRAM CLAIMS DEVELOPMENT INFORMATION (in Thousands) JUNE 30, 2023

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$ 28,903	\$ 34,771	\$ 38,103	\$ 33,770	\$ 31,528	\$ 37,407	\$ 37,711	\$ 22,472	\$ 14,997	\$ 36,768
<u>(1,397)</u>	<u>(1,399)</u>	<u>(1,558)</u>	<u>(1,595)</u>	<u>(1,601)</u>	<u>(1,824)</u>	<u>(5,632)</u>	<u>(4,080)</u>	<u>(2,164)</u>	<u>(2,253)</u>
27,506	33,372	36,545	32,175	29,927	35,583	32,079	18,392	12,833	34,515
\$ 9,853	\$ 6,127	\$ 5,350	\$ 9,139	\$ 6,341	\$ 6,175	\$ 6,309	\$ 6,385	\$ 7,468	\$ 12,642
\$ 30,055	\$ 32,989	\$ 31,464	\$ 32,947	\$ 32,273	\$ 34,471	\$ 32,423	\$ 21,017	\$ 36,337	\$ 43,983
<u>(9,296)</u>	<u>(9,957)</u>	<u>(9,370)</u>	<u>(10,903)</u>	<u>(11,497)</u>	<u>(11,328)</u>	<u>(9,936)</u>	<u>(7,732)</u>	<u>(11,487)</u>	<u>(8,716)</u>
20,759	23,032	22,094	22,044	20,776	23,143	22,487	13,285	24,850	35,267
\$ 2,445	\$ 2,982	\$ 2,981	\$ 2,615	\$ 2,750	\$ 3,054	\$ 3,107	\$ 1,448	\$ 4,738	\$ 5,682
5,029	5,880	6,432	6,076	5,912	7,567	5,763	4,221	9,950	
7,020	7,797	8,692	8,162	7,964	9,964	8,036	6,136		
8,287	9,004	10,026	9,244	9,682	11,385	9,396			
8,926	9,874	11,064	10,197	10,507	12,487				
9,334	10,603	11,643	10,879	11,548					
9,763	10,890	12,059	11,505						
9,948	11,178	12,524							
10,098	11,323								
10,183									
\$ 5,729	\$ 5,877	\$ 5,812	\$ 7,436	\$ 7,260	\$ 10,509	\$ 8,379	\$ 7,788	\$ 8,788	\$ 8,716
\$ 20,759	\$ 23,032	\$ 22,094	\$ 22,044	\$ 20,776	\$ 23,143	\$ 22,487	\$ 13,285	\$ 24,850	\$ 35,267
17,685	20,920	23,614	20,438	19,430	24,857	18,852	13,359	26,822	
18,706	21,113	21,518	21,461	17,577	23,931	16,112	13,897		
17,138	18,171	19,972	18,216	17,768	20,672	15,852			
15,556	17,237	17,140	17,987	15,673	19,081				
14,911	15,216	17,076	15,371	15,238					
13,544	15,225	15,717	15,248						
13,647	14,132	15,440							
12,186	13,584								
11,909									
car \$ (8,850)	\$ (9,448)	\$ (6,654)	\$ (6,796)	\$ (5,538)	\$ (4,062)	\$ (6,635)	\$ 612	\$ 1,972	\$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

HEALTH BENEFITS PROGRAM CLAIMS DEVELOPMENT INFORMATION (in Thousands) JUNE 30, 2023

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$ 120,532	\$ 135,613	\$ 172,556	\$ 173,474	\$ 159,828	\$ 151,735	\$ 152,444	\$ 156,478	\$ 164,792	\$ 162,601
<u>(2,105)</u>	<u>(3,120)</u>	<u>(5,740)</u>	<u>(6,097)</u>	<u>(5,630)</u>	<u>(5,285)</u>	<u>(5,451)</u>	<u>(76,195)</u>	<u>(5,863)</u>	<u>(4,946)</u>
<u>118,427</u>	<u>132,493</u>	<u>166,816</u>	<u>167,377</u>	<u>154,198</u>	<u>146,450</u>	<u>146,993</u>	<u>80,283</u>	<u>158,929</u>	<u>157,655</u>
\$ 5,296	\$ 6,134	\$ 7,764	\$ 7,077	\$ 7,007	\$ 5,448	\$ 5,579	\$ 6,427	\$ 6,695	\$ 8,768
\$ 48,715	\$ 49,376	\$ 76,957	\$ 84,615	\$ 82,304	\$ 79,988	\$ 65,338	\$ 72,343	\$ 75,669	\$ 80,295
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>48,715</u>	<u>49,376</u>	<u>76,957</u>	<u>84,615</u>	<u>82,304</u>	<u>79,988</u>	<u>65,338</u>	<u>72,343</u>	<u>75,669</u>	<u>80,295</u>
\$ 45,989	\$ 49,943	\$ 72,487	\$ 79,071	\$ 77,199	\$ 74,471	\$ 65,338	\$ 67,675	\$ 69,822	\$ 74,034
51,522	56,606	76,304	86,679	81,575	73,854	69,883	69,311	75,714	
51,522	56,607	76,304	86,679	81,575	73,854	69,883	69,311		
51,522	56,607	76,304	86,679	81,575	73,854	69,883			
51,522	56,607	76,304	86,679	81,575	73,854				
51,522	56,607	76,304	86,679	81,575					
51,522	56,607	76,304	86,679						
51,522	56,607	76,304							
51,522	56,607								
51,522									
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 48,715	\$ 89,722	\$ 76,957	\$ 84,615	\$ 82,304	\$ 79,988	\$ 65,338	\$ 72,343	\$ 75,669	\$ 80,295
51,611	56,607	76,338	86,679	81,575	73,854	69,883	69,311	75,714	
51,522	56,607	76,304	86,679	81,575	73,854	69,883	69,311		
51,522	56,607	76,304	86,679	81,575	73,854	69,883			
51,522	56,607	76,304	86,679	81,575	73,854				
51,522	56,607	76,304	86,679	81,575					
51,522	56,607	76,304	86,679						
51,522	56,607	76,304							
51,522	56,607								
51,522									
ar \$ 2,807	\$ 7,231	\$ (653)	\$ 2,064	\$ (729)	\$ (6,134)	\$ 4,545	\$ (3,032)	\$ 45	\$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

CIPA (OCIP, STUDENT ACCIDENT, PUPIL TRANSIT PROGRAM, SIRA, CORR) CLAIMS DEVELOPMENT INFORMATION (in Thousands) JUNE 30, 2023

2014	2015	2016	2017*	2018*	2019**	2020	2021	2022	2023
\$ 2,504	\$ 1,653	\$ 1,786	\$ 2,455	\$ 2,621	\$ 4,900	\$ 12,435	\$ 10,762	\$ 7,118	\$ 6,139
(965)	(505)	(496)	(465)	(536)	(1,021)	(2,564)	(2,130)	(1,953)	(537)
<u>1,539</u>	<u>1,148</u>	<u>1,290</u>	<u>1,990</u>	<u>2,085</u>	<u>3,879</u>	<u>9,871</u>	<u>8,632</u>	<u>5,165</u>	<u>5,602</u>
\$ 686	\$ 675	\$ 305	\$ 473	\$ 571	\$ 784	\$ 1,525	\$ 2,883	\$ 2,634	\$ 763
\$ 670	\$ 521	\$ 504	\$ 818	\$ 630	\$ 1,464	\$ 4,795	\$ 5,220	\$ 3,639	\$ 4,523
-	-	-	-	-	-	-	-	-	-
<u>670</u>	<u>521</u>	<u>504</u>	<u>818</u>	<u>630</u>	<u>1,464</u>	<u>4,795</u>	<u>5,220</u>	<u>3,639</u>	<u>4,523</u>
\$ 19	\$ 39	\$ 8	\$ 119	\$ 43	\$ 57	\$ 262	\$ 167	\$ 113	\$ 22
21	160	47	246	85	163	991	1,178	461	
22	226	79	438	180	194	1,495	738		
23	239	166	420	207	206	1,831			
26	260	716	364	210	247				
33	274	1,039	423	233					
42	220	2,386	3,875						
48	284	2,389							
56	286								
61									
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 670	\$ 521	\$ 504	\$ 818	\$ 630	\$ 1,464	\$ 4,795	\$ 5,220	\$ 3,639	\$ 4,523
372	502	442	630	486	3,015	3,919	3,752	2,747	
231	437	915	608	836	372	3,365	3,180		
139	432	879	501	330	306	3,066			
134	377	1,005	364	311	252				
112	297	1,074	364	400					
106	300	1,143	375						
157	247	1,550							
174	230								
113									
ear \$ (557)	\$ (291)	\$ 1,046	\$ (443)	\$ (230)	\$ (1,212)	\$ (1,729)	\$ (2,040)	\$ (892)	\$ -

Ident program
program

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**SCHEDULE OF ASCIP'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
LAST 10 YEARS***

Measurement Date June 30								
2022	2021	2020	2019	2018	2017	2016	2015	2014
0.0677%	0.0353%	0.0571%	0.0529%	0.0496%	0.0499%	0.0473%	0.0457%	0.0201%
167,804	\$ 670,975	\$ 2,407,721	\$ 2,120,535	\$ 1,869,795	\$ 1,967,870	\$ 1,643,087	\$ 1,252,869	\$ 1,224,143
544,151	\$ 5,432,546	\$ 5,060,784	\$ 4,518,359	\$ 4,558,579	\$ 4,137,910	\$ 3,269,226	\$ 2,912,480	\$ 2,520,782
56.13%	12.35%	47.58%	46.93%	41.02%	47.56%	50.26%	43.02%	48.56%
76.68%	88.29%	75.10%	75.26%	75.00%	73.00%	76.00%	81.00%	81.00%

There were no changes to benefit terms.

For the measurement period ending June 30, 2022, the discount rate was reduced from 7.15% to 6.90% and demographic assumptions and the inflation rate were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. For the measurement period ending June 30, 2018, the discount rate and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no

changes in the 1st year of implementation, therefore only nine years are shown.

Additional information is required supplementary information.

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**SCHEDULE OF ASCIP'S CONTRIBUTIONS
AS OF JUNE 30, 2023
LAST 10 YEARS***

Fiscal Year								
2023	2022	2021	2020	2019	2018	2017	2016	2015
889,023	\$ 703,475	\$ 647,653	\$ 565,107	\$ 576,780	\$ 456,855	\$ 411,681	\$ 338,763	\$ 354,308
<u>(889,023)</u>	<u>(703,475)</u>	<u>(647,653)</u>	<u>(565,107)</u>	<u>(576,780)</u>	<u>(456,855)</u>	<u>(411,681)</u>	<u>(338,763)</u>	<u>(354,308)</u>
<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
319,750	\$ 5,644,151	\$ 5,432,546	\$ 5,060,784	\$ 4,518,359	\$ 4,558,579	\$ 4,137,910	\$ 3,269,226	\$ 2,912,480
14.07%	12.46%	11.92%	11.17%	12.77%	10.02%	9.95%	10.36%	12.17%

of implementation, therefore only nine years are shown.

required supplementary information.

SUPPLEMENTARY INFORMATION

**ALLIANCE OF SCHOOLS FOR COOPERATIVE
INSURANCE PROGRAMS**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

1. PURPOSE OF STATEMENTS

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

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF NET POSITION JUNE 30, 2023

ASSETS:	Property & Liability	Workers' Compensation	Health Benefits	CIPA	EJE	Total
Current assets:						
Cash and cash equivalents	\$ 12,012,255	\$ 3,385,389	\$ 17,487,251	\$ 6,004,630	\$ -	\$ 38,889,525
Restricted cash and cash equivalents	18,773,488	2,479,988	-	-	-	21,253,476
Accounts receivable	12,113,669	4,797,604	1,213,495	770,752	-	18,895,520
Prepaid expenses and other assets	15,749,051	48,384	-	191,861	(1,948,725)	14,040,571
Investments maturing within one year	39,034,525	16,510,378	3,879,175	6,142,567	-	65,566,645
Restricted investments maturing within one year	5,041,819	-	-	7,000,000	-	12,041,819
Total current assets	<u>102,724,807</u>	<u>27,221,743</u>	<u>22,579,921</u>	<u>20,109,810</u>	<u>(1,948,725)</u>	<u>170,687,556</u>
Noncurrent assets:						
Other receivable	5,063,162	-	-	-	-	5,063,162
Investments, net of amount maturing within one year	100,515,476	181,187,213	27,233,816	6,747,972	-	315,684,477
Deposits	-	-	4,721,090	-	-	4,721,090
Capital assets, net	3,661,621	12,690,248	-	-	-	16,351,869
Intangible right-to-use lease asset	-	6,875,663	-	-	-	6,875,663
Total noncurrent assets	<u>109,240,259</u>	<u>200,753,124</u>	<u>31,954,906</u>	<u>6,747,972</u>	<u>-</u>	<u>348,696,261</u>
Total assets	<u>211,965,066</u>	<u>227,974,867</u>	<u>54,534,827</u>	<u>26,857,782</u>	<u>(1,948,725)</u>	<u>519,383,817</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflows of resources for pension	<u>1,911,131</u>	<u>191,861</u>	<u>342,427</u>	<u>-</u>	<u>-</u>	<u>2,445,419</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	2,235,132	3,580,292	4,885,906	1,464,277	-	12,165,607
Unearned premium revenues	-	-	4,951	2,985,839	(1,948,725)	1,042,065
Premium dividend payable	-	2,853,037	3,310,190	-	-	6,163,227
Member risk management fund	17,564,201	1,803,184	-	-	-	19,367,385
Safety credit payable	1,209,287	676,804	-	-	-	1,886,091
Current portion of unpaid claims	43,466,000	11,904,000	6,261,578	4,564,707	-	66,196,285
Unallocated claims adjustment expense	7,238,471	11,587,638	172,983	658,615	-	19,657,707
Total current liabilities	<u>71,713,091</u>	<u>32,404,955</u>	<u>14,635,608</u>	<u>9,673,438</u>	<u>(1,948,725)</u>	<u>126,478,367</u>
Noncurrent liabilities:						
Unpaid claims and claim adjustment expenses, net of current portion	127,838,894	74,699,923	-	8,073,001	-	210,611,818
Net pension liability	1,960,624	457,959	749,221	-	-	3,167,804
Deferred retirement benefit	528,741	-	-	-	-	528,741
Lease liability	-	7,002,627	-	-	-	7,002,627
Total noncurrent liabilities	<u>130,328,259</u>	<u>82,160,509</u>	<u>749,221</u>	<u>8,073,001</u>	<u>-</u>	<u>221,310,990</u>
Total liabilities	<u>202,041,350</u>	<u>114,565,464</u>	<u>15,384,829</u>	<u>17,746,439</u>	<u>(1,948,725)</u>	<u>347,789,357</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows of resources for pension	<u>34,092</u>	<u>2,997</u>	<u>5,520</u>	<u>-</u>	<u>-</u>	<u>42,609</u>
NET POSITION:						
Invested in capital assets	3,661,621	12,563,284	-	-	-	16,224,905
Restricted	5,041,819	-	-	7,000,000	-	12,041,819
Unrestricted	<u>3,097,315</u>	<u>101,034,983</u>	<u>39,486,905</u>	<u>2,111,343</u>	<u>-</u>	<u>145,730,546</u>
Total net position	<u>\$ 11,800,755</u>	<u>\$ 113,598,267</u>	<u>\$ 39,486,905</u>	<u>\$ 9,111,343</u>	<u>\$ -</u>	<u>\$ 173,997,270</u>

See accompanying note to supplementary information.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2023

	Property & Liability	Workers' Compensation	Health Benefits	CIPA	EJE	Total
OPERATING REVENUES:						
Premium contributions from members	\$ 71,763,872	\$ 49,300,243	\$ 169,889,041	\$ 5,826,552	\$ (2,299,575)	\$ 294,480,133
Other income	108,478	87	1,364	-	-	109,929
Total operating revenues	<u>71,872,350</u>	<u>49,300,330</u>	<u>169,890,405</u>	<u>5,826,552</u>	<u>(2,299,575)</u>	<u>294,590,062</u>
OPERATING EXPENSES:						
Claims expense, net of reimbursements of \$17,380,206	48,020,042	17,585,902	80,241,610	1,313,757	-	147,161,311
Provision for IBNR and case reserves	16,842,093	16,094,072	399,541	2,810,787	-	36,146,493
Provision for ULAE reserves	530,180	1,208,832	158	(174,078)	-	1,565,092
Excess/reinsurance premiums	24,272,398	2,252,671	4,945,543	537,363	(2,299,575)	29,708,400
Health benefits insurance premiums	-	-	76,838,285	-	-	76,838,285
Contract services	2,403,439	5,108,431	4,655,979	426,621	-	12,594,470
Loss control and risk management	2,086,639	1,788,660	-	-	-	3,875,299
General and administrative	4,810,943	4,536,451	4,111,945	510,775	-	13,970,114
Premium dividends	-	9,616,403	8,022,739	-	-	17,639,142
Total operating expenses	<u>98,965,734</u>	<u>58,191,422</u>	<u>179,215,800</u>	<u>5,425,225</u>	<u>(2,299,575)</u>	<u>339,498,606</u>
Operating income (loss)	<u>(27,093,384)</u>	<u>(8,891,092)</u>	<u>(9,325,395)</u>	<u>401,327</u>	<u>-</u>	<u>(44,908,544)</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest and dividend income, net of fees	4,165,253	3,312,336	1,420,513	342,559	-	9,240,661
Net realized/unrealized loss on investments	(1,830,614)	(6,228,316)	(687,413)	(30,344)	-	(8,776,687)
Total non-operating income (loss)	<u>2,334,639</u>	<u>(2,915,980)</u>	<u>733,100</u>	<u>312,215</u>	<u>-</u>	<u>463,974</u>
Increase (decrease) in net position	<u>(24,758,745)</u>	<u>(11,807,072)</u>	<u>(8,592,295)</u>	<u>713,542</u>	<u>-</u>	<u>(44,444,570)</u>
Net position, beginning of year	<u>36,559,500</u>	<u>125,405,339</u>	<u>48,079,200</u>	<u>8,397,801</u>	<u>-</u>	<u>218,441,840</u>
Net position, end of year	<u>\$ 11,800,755</u>	<u>\$ 113,598,267</u>	<u>\$ 39,486,905</u>	<u>\$ 9,111,343</u>	<u>\$ -</u>	<u>\$ 173,997,270</u>

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2023

	Property & Liability	Workers' Compensation	Health Benefits	CIPA	EJE	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from premium contributions and other income	\$ 72,291,433	\$ 46,563,034	\$ 170,485,958	\$ 9,199,307	\$ (4,798,300)	\$ 293,741,432
Cash paid for claims	(48,020,042)	(17,585,902)	(80,241,610)	(1,313,758)	-	(147,161,312)
Cash paid for claims in excess layer	(17,344,427)	(35,779)	-	-	-	(17,380,206)
Cash received from reinsurer	12,228,032	35,779	-	-	-	12,263,811
Cash paid to benefits, insurance, and other expenses	(30,241,217)	(20,899,211)	(97,876,742)	(1,015,554)	4,798,300	(145,234,424)
Cash paid to employees	(6,683,402)	(827,275)	(969,024)	-	-	(8,479,701)
Cash paid to pension plan and retirees	(681,515)	(110,687)	(183,336)	-	-	(975,538)
Net cash provided (used) by operating activities	<u>(18,451,138)</u>	<u>7,139,959</u>	<u>(8,784,754)</u>	<u>6,869,995</u>	<u>-</u>	<u>(13,225,938)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of capital assets	(25,513)	(1,176,846)	-	-	-	(1,202,359)
Net cash provided (used) by capital and financing activities	<u>(25,513)</u>	<u>(1,176,846)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,202,359)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of investments	(183,642,904)	(23,360,772)	(1,052,349)	(17,327,706)	-	(225,383,731)
Proceeds from sale or maturity of investments	162,581,848	12,099,231	2,777,776	13,280,088	-	190,738,943
Interest and investment income received	4,272,500	3,720,861	717,653	2,632,957	-	11,343,971
Net cash provided (used) by investing activities	<u>(16,788,556)</u>	<u>(7,540,680)</u>	<u>2,443,080</u>	<u>(1,414,661)</u>	<u>-</u>	<u>(23,300,817)</u>
Net increase (decrease) in cash and cash equivalents	(35,265,207)	(1,577,567)	(6,341,674)	5,455,334	-	(37,729,114)
Cash and cash equivalents, beginning of year	66,050,950	7,442,944	23,828,925	549,296	-	97,872,115
Cash and cash equivalents, end of year	<u>\$ 30,785,743</u>	<u>\$ 5,865,377</u>	<u>\$ 17,487,251</u>	<u>\$ 6,004,630</u>	<u>\$ -</u>	<u>\$ 60,143,001</u>
RECONCILIATION TO STATEMENT OF NET POSITION						
Cash and cash equivalents	\$ 12,012,255	\$ 3,385,389	\$ 17,487,251	\$ 6,004,630	\$ -	\$ 38,889,525
Restricted cash and cash equivalents	18,773,488	2,479,988	-	-	-	21,253,476
Cash and cash equivalents, end of year	<u>\$ 30,785,743</u>	<u>\$ 5,865,377</u>	<u>\$ 17,487,251</u>	<u>\$ 6,004,630</u>	<u>\$ -</u>	<u>\$ 60,143,001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss)	\$ (27,093,384)	\$ (8,891,092)	\$ (9,325,395)	\$ 401,327	\$ -	\$ (44,908,544)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization expense	433,205	-	108,240	-	-	541,445
(Increase) decrease in:						
Accounts receivable and other receivable	(6,954,128)	(2,170,696)	591,157	3,794,231	(2,200,000)	(6,939,436)
Prepaid expenses and other assets and deposits	(4,184,542)	(48,384)	610	646,196	1,948,725	(1,637,395)
Deferred outflows of resources	(989,497)	(17,128)	(83,658)	-	-	(1,090,283)
Increase (decrease) in:						
Accounts payable and other liabilities	(776,149)	1,473,872	(628,253)	(186,991)	550,000	432,479
Unearned premium revenues	-	-	4,396	(421,476)	(298,725)	(715,805)
Member risk management fund	2,256,816	(566,600)	-	-	-	1,690,216
Unpaid claims and claim adjustment expense	17,372,273	17,302,904	399,699	2,636,708	-	37,711,584
Net pension liability	2,150,508	108,195	238,126	-	-	2,496,829
Deferred retirement benefit	(77,103)	-	-	-	-	(77,103)
Deferred inflows of resources	(589,137)	(51,112)	(89,676)	-	-	(729,925)
Net cash provided (used) by operating activities	<u>\$ (18,451,138)</u>	<u>\$ 7,139,959</u>	<u>\$ (8,784,754)</u>	<u>\$ 6,869,995</u>	<u>\$ -</u>	<u>\$ (13,225,938)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Unrealized loss on investments	\$ (1,803,897)	\$ (6,099,432)	\$ (491,822)	\$ (30,344)	\$ -	\$ (8,425,495)

See accompanying note to supplementary information.

OTHER INDEPENDENT AUDITOR'S REPORT

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

**Governing Board
Alliance of Schools for Cooperative Insurance Programs
Cerritos, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alliance of Schools for Cooperative Insurance Programs (ASCIP) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise ASCIP’s basic financial statements, and have issued our report thereon dated November 29, 2023. The financial statements of Captive Insurance for Public Agencies Limited (CIPA) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with CIPA or that are reported on separately by those auditors who audited the financial statements of CIPA.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASCIP’s internal control over financial reporting (internal control) 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 ASCIP’s internal control. Accordingly, we do not express an opinion on the effectiveness of ASCIP’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASCIP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 29, 2023