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**NORTHERN ORANGE COUNTY LIABILITY AND
PROPERTY SELF INSURANCE AUTHORITY**

AUDIT REPORT
JUNE 30, 2025 AND 2024

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
BOARD OF DIRECTORS
JUNE 30, 2025

| REPRESENTATIVE | MEMBER | OFFICE |
|-----------------------|---|---------------------|
| Sandy Poteet | Buena Park School District | President |
| Tim McLellan | Cypress School District | Vice President |
| Tonia Watkins | North Orange County Regional Occupational Program | Secretary/Treasurer |
| Joshie Cox | ABC Unified School District | Member |
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| Brenda Savedra | Coastline Regional Occupational Program | Member |
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| Danelle Bautista | La Habra City School District | Member |
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NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
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JUNE 30, 2025 AND 2024

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern Orange County Liability and Property Self Insurance Authority (NOCLPSIA), which comprise the statements of net position as of June 30, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of NOCLPSIA as of June 30, 2025, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The 2024 financial statements were reviewed by us and our report thereon, dated, September 25, 2024, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NOCLPSIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about NOCLPSIA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2025 on our consideration of the NOCLPSIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NOCLPSIA's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NOCLPSIA's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
September 24, 2025



**NORTHERN ORANGE COUNTY LIABILITY AND
PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 and June 30, 2024**

This discussion and analysis provide an overview of the financial condition of Northern Orange County Liability & Property Self-Insurance Authority (NOCLPSIA) for the fiscal years ended June 30, 2025 and June 30, 2024. It examines and reviews NOCLPSIA's financial operations and analyzes the significant financial changes from the prior year. Readers should review the financial management information report and the independent financial audit in conjunction with this report to enhance their understanding of NOCLPSIA's financial performance.

Introduction and Background

NOCLPSIA is a public risk sharing pool established pursuant to a Joint Power Agreement effective August 1, 1979, for the purpose of self-funding property and liability claims. Participation in NOCLPSIA gives members the advantage of pooled member contributions, sharing of claim liability risk and purchase of insurance at a lower cost. NOCLPSIA's membership consists of 14 individual member districts from the Northern Orange County area. A Full Board of Directors comprised of one representative from each member governs NOCLPSIA. Each member has one vote. The Board elects from its members a President, Vice President, and Secretary/Treasurer.

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

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

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

Mission Statement

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

**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

Program Structure

NOCLPSIA participates in Southern California Regional Liability Excess Fund (SCR), a risk pooling solution, for excess coverage at a Member Retained Limit (MRL) of \$25,000 per occurrence for property and liability. NOCLPSIA self-insures its property claims up to \$25,000 per occurrence and liability claims up to \$25,000 per occurrence. SCR pools for the first \$250,000 of a property loss including the MRL and purchases reinsurance for property claims up to \$500,000,000 in excess of \$250,000. SCR pools for the first \$1,000,000 of a liability loss including the MRL and purchases reinsurance for liability claims up to \$49 million excess of \$1 million including member's MRL. Some members of the program purchased an additional \$25 million in excess liability coverage for excess liability limits to \$75,000,000.

Financial Management and Control

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

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

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

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

The Statement of Net Position provides information on NOCLPSIA's program assets and liabilities, with the difference reported as Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing total operating income versus operating expenses for fiscal years 2024-2025 and 2023-2024 and the resulting effect on Net Position. The Statement of Cash Flows provides a reconciliation of the change during the fiscal year 2024-2025 in cash and cash equivalents.

**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

Financial Management and Control, continued

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

Over NOCLPSIA's 46 years of operation, it has declared and returned to date net member experience rebates of \$6,321,634 and has received \$2,562,523 in net returns from So Cal ReLiEF.

FINANCIAL ANALYSIS

Condensed Statement of Net Position

Below is a summary of the Statement of Net Position showing total assets versus total liabilities with a percentage of change from the 2023-2024 to the 2024-2025 program year.

| | Fiscal Year Ended June 30, | | Difference | Percentage |
|--|----------------------------|---------------------|---------------------|------------------|
| | 2025 | 2024 | | |
| Asset | | | | |
| Cash and cash equivalents | \$ 3,701,354 | \$ 3,732,399 | \$ (31,045) | (0.83) % |
| Prepaid expense | 1,250 | 1,000 | 250 | 25.00 |
| Interest receivable | 122 | 114 | 8 | 7.02 |
| Member deductible receivable | 108,241 | 94,957 | 13,284 | 13.99 |
| Total Assets | 3,810,967 | 3,828,470 | (17,503) | (0.46) |
| Liabilities | | | | |
| Other liabilities and unearned revenue | 1,348,974 | 1,392,259 | (43,285) | (3.11) |
| Claim liabilities and ULAE | 1,383,924 | 1,197,375 | 186,549 | 15.58 |
| Total Liabilities | 2,732,898 | 2,589,634 | 143,264 | 5.53 |
| Net Position | | | | |
| Undesignated | 527,104 | 694,337 | (167,233) | (24.09) |
| Designated - capital target | 550,965 | 544,499 | 6,466 | 1.19 |
| Total Net Position | \$ 1,078,069 | \$ 1,238,836 | \$ (160,767) | (12.98) % |

**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

FINANCIAL ANALYSIS, continued

Assets

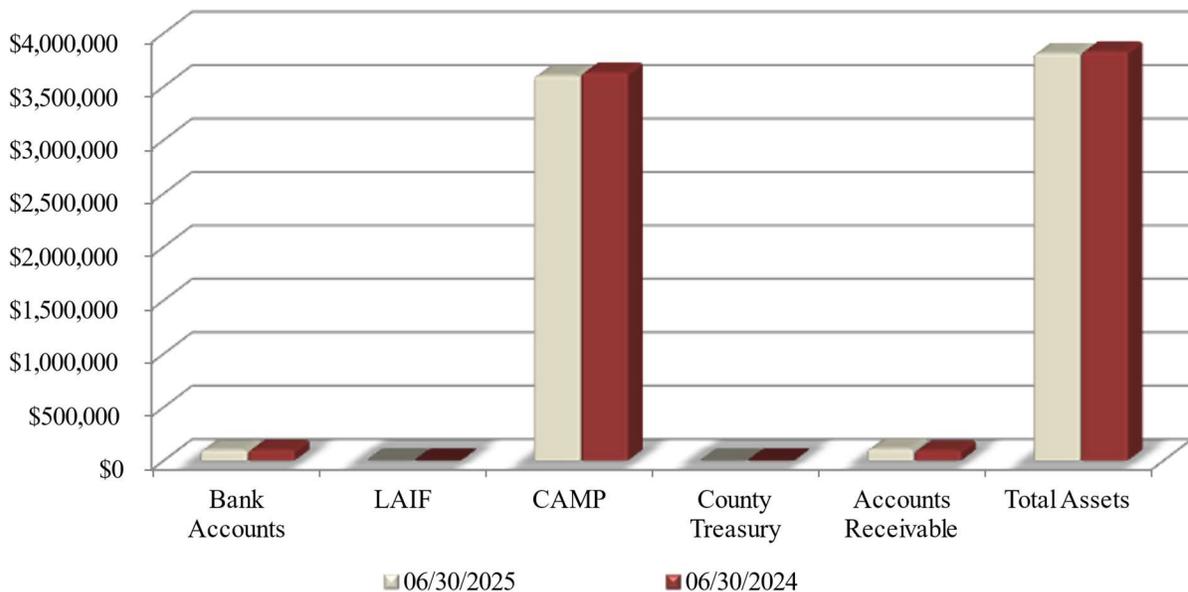
The assets of NOCLPSIA decreased by \$17,503 or 0.46% from \$3,828,470 on June 30, 2024, to \$3,810,967 on June 30, 2025, mainly due to:

- Net claims paid in 2024-2025 of \$487,546,
- Net cash activity in accounts payable, due to members and safety credit program in 2024-2025 of \$43,285,

Offset by,

- Retained Funding at 70% for 2023-2024 program year of \$314,686,
- Net investment income earned, with fair value adjustment, of \$160,729, and
- Administrative expenditures below budget of \$37,913.

This decrease in assets can be seen below:



In order to optimize the rate of return on current cash, the NOCLPSIA Board approved to divest the Authority's investment in the Orange County Treasury and transfer the funds to the California Asset Management Program (CAMP). Those assets needed for current operations are maintained with CAMP, the State of California Local Agency Investment Fund (LAIF), and U.S. Bank general and claim checking accounts. This is in conformity with all federal, state, and local statutes governing such investment of public funds.

**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

FINANCIAL ANALYSIS, continued

Liabilities

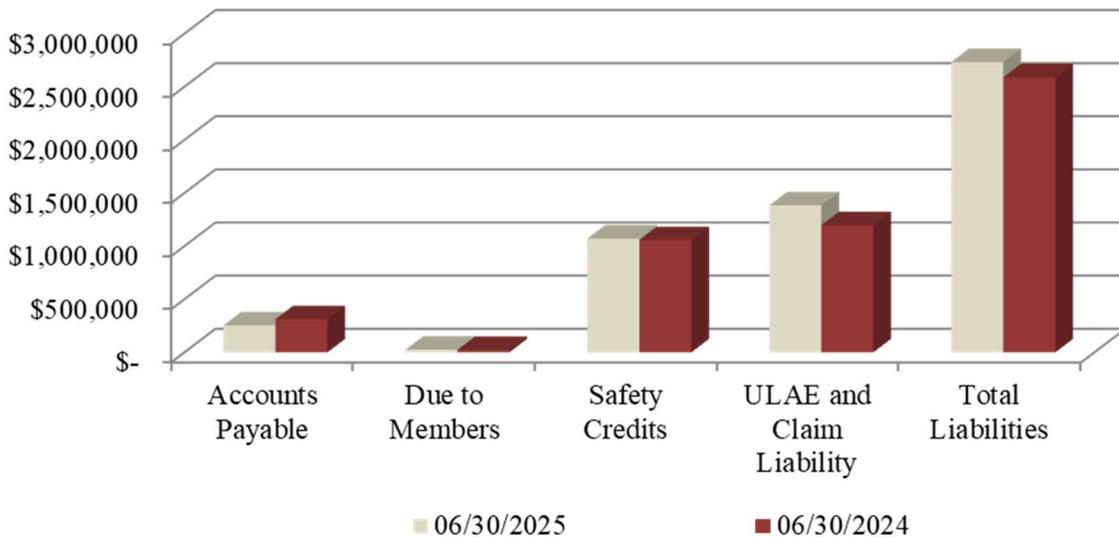
The overall liabilities of NOCLPSIA increased in 2024-2025 by \$143,264 or 5.53%, which is mainly attributed to:

- The recognition of the 2024-2025 actuarially determined estimated ultimate incurred of \$341,256,
- Based on the March 2025 actuarial study, an increase to the actuarially determined estimated ultimate incurred for program years 2024-2025 of \$67,841 as well as for program years 2023-2024 and prior of \$143,349,
- Recognized an increase to the actuarially determined estimated ultimate of \$315,176 due to Negative Incurred but Not Reported (IBNR) for program years 2012-2013, 2022-2023, and 2024-2025, and this has been offset by the reversal of the Negative IBNR at June 30, 2024 of \$233,683,
- Increase in the Unallocated Loss Adjustment Expense (ULAE) of \$108,363,
- Net cash activity in accounts payable, due to members and safety credit program in 2024-2025 of \$43,285, and

Offset by,

- Net claims paid in 2024-2025 of \$487,546.

This increase in liabilities can be seen below:



**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

FINANCIAL ANALYSIS, continued

Net Position

The net position of NOCLPSIA decreased in 2024-2025 by \$160,767 or 12.98%. This is largely attributed to:

- Based on the March 2025 actuarial study, an increase to the actuarially determined estimated ultimate incurred for program years 2024-2025 of \$67,841 as well as for program years 2023-2024 and prior of \$143,349,
- Recognized an increase to the actuarially determined estimated ultimate of \$315,176 due to Negative Incurred but Not Reported (IBNR) for program years 2012-2013, 2022-2023, and 2024-2025, and this has been offset by the reversal of Negative IBNR at June 30, 2024 of \$233,683
- Increase in the ULAE of \$108,363,

Offset by,

- Contingency funding at 70% probability for 2024-2025 of \$41,271,
- Administrative expenditures above budget of \$37,913, and
- Net investment income earned, with fair value adjustment of \$160,729.

NOCLPSIA's undesignated net position of \$1,078,069 reflects an actuarially determined greater than 90% probability level funding of its outstanding liabilities. A 90% probability level funding means that there is only a 10% probability that the outstanding liability is higher or lower than the actuary's best estimate. While many actuarial funding recommendations are at the 70% probability level, the 90% probability level funding provides NOCLPSIA an increased probability of overall reserve adequacy. The following probability level funding recommendations are based upon the Bay Actuarial Consultants actuarial study dated March 2025:

- 70% probability level \$ 22,651
- 80% probability level \$ 50,965
- 90% probability level \$ 90,604

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

**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

FINANCIAL ANALYSIS, continued

Statements of Revenues, Expenses, and Changes in Net Position

Expenses exceeded income by \$160,767 in 2024-2025, resulting in a decrease to the net position of 12.98% as shown below.

| | Fiscal Year Ended June 30, | | Variance | Percentage |
|--|----------------------------|--------------|--------------|------------|
| | 2025 | 2024 | | |
| Operating Revenues | | | | |
| Member contributions | \$ 7,694,449 | \$ 6,523,073 | \$ 1,171,376 | 17.96 % |
| Repayment of deductibles | (64,265) | (50,064) | (14,201) | 28.37 |
| Safety credit program | (103,534) | (84,750) | (18,784) | 22.16 |
| Total Operating Revenues | 7,526,650 | 6,388,259 | 1,138,391 | 17.82 |
| Operating Expenses | | | | |
| Excess insurance | 6,925,066 | 5,833,989 | 1,091,077 | 18.70 |
| Claims activity | 674,095 | 496,262 | 177,833 | 35.83 |
| Claims administration | 91,715 | 80,084 | 11,631 | 14.52 |
| Risk management fees | 96,576 | 96,576 | - | - |
| Operating costs | 60,694 | 57,706 | 2,988 | 5.18 |
| Total Operating Expenses | 7,848,146 | 6,564,617 | 1,283,529 | 19.55 |
| Non-Operating Revenues/(Expenses) | | | | |
| Return of net position | - | (164,635) | 164,635 | (100.00) |
| Investment income | 160,729 | 181,155 | (20,426) | (11.28) |
| Total Non-Operating Revenue/(Expenses) | 160,729 | 16,520 | 144,209 | 872.94 |
| Change in Net Position | (160,767) | (159,838) | (929) | 0.58 |
| Beginning Net Position | 1,238,836 | 1,398,674 | (159,838) | (11.43) |
| Ending Net Position | \$ 1,078,069 | \$ 1,238,836 | \$ (160,767) | (12.98) % |

Total operating revenues consist of contributions received from members offset by contributions for accounts receivable recognized on June 30, 2025. Member contributions have increased by \$1,138,391 or 17.82% from \$6,388,259 in 2023-2024 to \$7,526,650 in 2024-2025. This is based upon the annual renewal process. There was a decrease of 1.32% in Average Daily Attendance (ADA) and a 3.89% increase of Total Insured Value (TIV) for 2024-2025. In addition, there was an overall increase in the liability and property rates, this is based on the Authority's recent loss experience.

**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

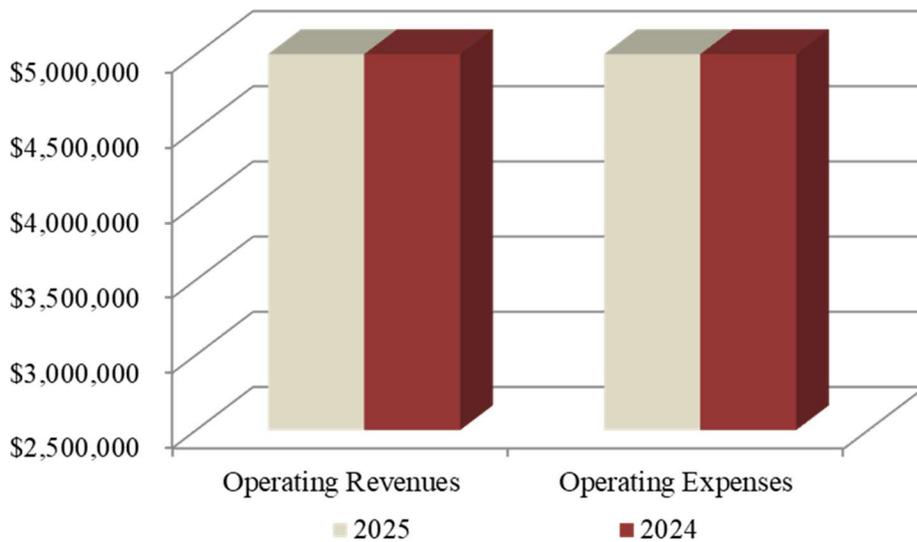
FINANCIAL ANALYSIS, continued

Statements of Revenues, Expenses, and Changes in Net Position, continued

Total operating expenses increased by \$1,283,529 in 2024-2025 to \$7,848,146 from \$6,564,617. The reasons for this increase are mainly due to:

- An increase in excess insurance expense of \$1,091,077 or 18.70%, which is consistent with the increase in member contributions,
- An overall increase in claims activity of \$177,833 or 35.83%, which is consistent with the increase in net claims paid for all open program years, the increase in the actuarially determined estimated ultimate incurred for program years 2024-2025 and prior, the recognition of Negative IBNR, and the increase to the ULAE as previously discussed.

Below is a graph that reflects a comparison of operating income and expense for June 30, 2025, and June 30, 2024:



Budgetary Highlights

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

**NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

Budgetary Highlights, continued

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

| | 2024-2025 | | | |
|---|-------------------|-------------------|--------------|------------|
| | Adopted Budget | Actual Results | Variance | Percentage |
| Operating Revenues | | | | |
| Member contributions | \$ 7,694,449 | \$ 7,694,449 | \$ - | - % |
| Safety credit program | (103,534) | (103,534) | - | - |
| Repayment of deductibles | (64,265) | (64,265) | - | - |
| Total Operating Revenues | 7,526,650 | 7,526,650 | - | - |
| Operating Expenses | | | | |
| Excess insurance | 6,924,781 | 6,925,066 | 285 | 0.00 |
| Claims activity | 278,415 | 674,095 | 395,680 | 142.12 |
| Claims administration | 120,000 | 91,715 | (28,285) | (23.57) |
| Risk management fees | 96,576 | 96,576 | - | - |
| Operating costs | 70,322 | 60,694 | (9,628) | (13.69) |
| Total Operating Expenses | 7,490,094 | 7,848,146 | 358,052 | 4.78 |
| Non-Operating Revenues/(Expenses) | | | | |
| Investment income | 125,910 | 160,729 | 34,819 | 27.65 |
| Total Non-Operating Revenues/(Expenses) | 125,910 | 160,729 | 34,819 | 27.65 |
| Change in Net Position | 162,466 | (160,767) | (323,233) | (198.95) |
| Beginning Net Position | 1,238,836 | 1,238,836 | - | - |
| Ending Net Position | \$ 1,401,302 | \$ 1,078,069 | \$ (323,233) | (23.07) % |

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

Property and Liability rates are influenced by both an insured's loss experience and the broader global insurance market conditions. For years, the insurance industry experienced a prolonged soft market influenced by lower losses, abundant capacity, and depressed rates. This shifted several years ago due to a convergence of factors including global catastrophes, California wildfires, social inflation, sexual abuse claims, adverse development from prior year claims, and large jury verdicts increased the exposures and cost of claims. Many insurers subsequently exited the public entity market, particularly in segments like law enforcement, auto, traumatic brain injury exposures, sexual abuse, and long-tailed risks. As a result, the market has been in a prolonged hard market, though capacity is gradually returning which indicates responsible reentry into the market.

FINANCIAL SECTION

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,701,354 | \$ 3,732,399 |
| Prepaid expense | 1,250 | 1,000 |
| Interest receivable | 122 | 114 |
| Member deductible receivable | 108,241 | 94,957 |
| Total Assets | <u>3,810,967</u> | <u>3,828,470</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 253,715 | 312,251 |
| Due to members | 1,095,259 | 1,080,008 |
| Claims liabilities, current portion | 250,000 | 250,000 |
| Total Current Liabilities | <u>1,598,974</u> | <u>1,642,259</u> |
| Non-Current Liabilities | | |
| Unallocated loss adjustment expense (ULAE) | 446,513 | 338,150 |
| Claims liabilities, non-current portion | 687,411 | 609,225 |
| Total Non-Current Liabilities | <u>1,133,924</u> | <u>947,375</u> |
| Total Liabilities | <u>2,732,898</u> | <u>2,589,634</u> |
| Net Position - Unrestricted | <u>\$ 1,078,069</u> | <u>\$ 1,238,836</u> |

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Member contributions | \$ 7,694,449 | \$ 6,523,073 |
| Repayment of deductibles | (64,265) | (50,064) |
| Safety credit program | (103,534) | (84,750) |
| Total Operating Revenues | <u>7,526,650</u> | <u>6,388,259</u> |
| Operating Expenses | | |
| Excess insurance | 6,925,066 | 5,833,989 |
| Claims paid | 487,546 | 308,539 |
| Provision for loss reserves | 78,186 | 150,767 |
| Provision for claims adjustment expenses | 108,363 | 36,956 |
| Claims administration | 91,715 | 80,084 |
| Risk management fees | 96,576 | 96,576 |
| Consulting fees | 32,913 | 31,954 |
| Other operating costs | 27,781 | 25,752 |
| Total Operating Expenses | <u>7,848,146</u> | <u>6,564,617</u> |
| Net Operating Income/(Loss) | <u>(321,496)</u> | <u>(176,358)</u> |
| Non-Operating Revenues/(Expenses) | | |
| Change in fair market value of investments | - | 26,232 |
| Return of net position - excess of liability funding initiative | - | (164,635) |
| Investment income, net of interest allocated directly to members of \$55,093 in 2025 and \$38,057 in 2024 | 160,729 | 154,923 |
| Total Non-Operating Revenues/(Expenses) | <u>160,729</u> | <u>16,520</u> |
| Change in Net Position | (160,767) | (159,838) |
| Net Position, Beginning of Year | 1,238,836 | 1,398,674 |
| Net Position, End of Year | <u>\$ 1,078,069</u> | <u>\$ 1,238,836</u> |

See accompanying notes to financial statements.

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Operating Activities | | |
| Cash received from members and others | \$ 7,513,366 | \$ 6,356,038 |
| Cash paid for claims and settlements | (595,909) | (345,495) |
| Cash paid for excess insurance | (6,989,931) | (5,707,794) |
| Cash paid to suppliers for goods and services | (118,955) | (164,477) |
| Cash received/(paid) fo the benefit of members, net | (337) | 307,997 |
| Net Cash Provided by/(Used in) Operating Activities | <u>(191,766)</u> | <u>446,269</u> |
| Investing Activities | | |
| Investment income | 160,721 | 24,786 |
| Net Cash Provided by/(Used in) Investing Activities | <u>160,721</u> | <u>24,786</u> |
| Net Change in Cash and Cash Equivalents | (31,045) | 471,055 |
| Cash and Cash Equivalents, Beginning of Year | 3,732,399 | 3,261,344 |
| Cash and Cash Equivalents, End of Year | <u>\$ 3,701,354</u> | <u>\$ 3,732,399</u> |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities | | |
| Net operating income/(loss) | <u>\$ (321,496)</u> | <u>\$ (176,358)</u> |
| Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities | | |
| Changes in Assets and Liabilities | | |
| Receivables | (13,284) | (23,955) |
| Prepaid expense | (250) | - |
| Accounts payable | (58,536) | 225,535 |
| Due to members | 15,251 | 241,590 |
| Claim liabilities | 78,186 | 187,723 |
| Unallocated loss adjustment expense (ULAE) | 108,363 | (8,266) |
| Total Adjustments | <u>129,730</u> | <u>622,627</u> |
| Net Cash Provided by/(Used in) Operating Activities | <u>\$ (191,766)</u> | <u>\$ 446,269</u> |

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Northern Orange County Liability and Property Self-Insurance Authority (NOCLPSIA) was formed on August 1, 1979, under a joint powers agreement between participating local educational agencies located primarily within Orange County, pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the *California Government Code*. The purpose of NOCLPSIA is to provide a more viable and economical insurance program to its members than individual members might otherwise be able to obtain operating on their own.

During the fiscal year ended June 30, 2025, there were 14 participants in the NOCLPSIA's self-insured program. Members may withdraw from the NOCLPSIA after having completed a minimum of 36 consecutive months as a member of the NOCLPSIA. A member may withdraw from its status as a member at the end of any fiscal year by notifying the Board of Directors in writing no later than December 31 of the fiscal year at the end of which the withdrawal is to be effective, pursuant to the terms and conditions of the governing bylaws.

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

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

Basis of Accounting

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

Budget and Budgetary Accounting

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

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

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

Cash and Cash Equivalents

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

Receivables

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

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Accounts Payable

Accounts payable represent amounts due to vendors or others for services received and other not determined claims payable. In general, accounts payable are amounts owed that have not yet been paid for as of June 30. Accounts payable are recorded on the balance sheet under current liabilities.

Claims Liabilities

NOCLPSIA establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, 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.

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Premium Contributions

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

Safety Credits

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

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as designated when it is intended to be used for specific purposes. The designated net position is reduced first when expenses are incurred for purposes for which either designated or undesignated amounts are available.

Return of Net Position

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

Classification of Revenues and Expenses

Operating revenues include activities that have the characteristics of exchange transactions such as member contributions. Operating expenses are necessary costs related to core operations which generally represent administrative expenses and include premiums and claims, claims administration, wellness program, stop loss expense, professional development, prior year expenses, change in claim liabilities and other insurance costs. Non-operating revenues include activities that have the characteristics of non-exchange transactions such as investment income, late fees, realized gains on sale of investments and unrealized gains on fair value adjustment of investments. Non-operating expenses include realized losses on sale of investments and unrealized losses on fair value adjustment of investments.

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Insurance Coverage

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

NOCLPSIA participates in Southern California Regional Liability Excess Fund (SCR), a risk pooling solution, for excess coverage at a Member Retained Limit (MRL) of \$25,000 per occurrence for property and liability. NOCLPSIA self-insures its property claims up to \$25,000 per occurrence and liability claims up to \$25,000 per occurrence. SCR pools for the first \$250,000 of a property loss including the MRL and purchases reinsurance for property claims up to \$500,000,000 in excess of \$250,000. SCR pools for the first \$1,000,000 of a liability loss including the MRL and purchases reinsurance for liability claims up to \$49,000,000 excess of \$1,000,000 including member's MRL. Some members of the program purchased an additional \$25,000,000 in excess liability coverage for excess liability limits to \$75,000,000.

Income Taxes

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2025 and 2024, consist of the following:

| | 2025 | 2024 |
|---|--------------|--------------|
| Cash in operating account | \$ 44 | \$ 669 |
| Cash in trust account | 100,000 | 100,000 |
| Investments in County Treasury | - | 42 |
| Investments in State Investment Pool | 572 | 547 |
| Investments in California Asset Management Program (CAMP) | 3,600,738 | 3,631,141 |
| Total cash and cash equivalents | \$ 3,701,354 | \$ 3,732,399 |

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 – CASH AND CASH EQUIVALENTS, continued

Policies and Practices

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

Investment in County Treasury

NOCLPSIA is considered to be a voluntary participant in an external investment pool. The fair value of NOCLPSIA's investment in the pool is reported in the financial statements at amounts based upon the NOCLPSIA's pro-rata share of the fair value provided by the Orange County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Orange County Treasurer, which is recorded on the amortized cost basis. The Cash in County Treasury has an average weighted maturity of 383 days.

Investment in the State Investment Pool

NOCLPSIA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code Section 16429* under the oversight of the Treasurer of the State of California. The fair value of the NOCLPSIA's investment in the pool is reported in the accompanying financial statements at amounts based upon NOCLPSIA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. The LAIF has an average weighted maturity of 248 days.

Investment in CAMP

California Asset Management Program (CAMP) is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. Investments offered through the Cash Reserve Portfolio (CAMP Pool) are permitted for all local agencies under *California Government Code Section 53601(p)*. The CAMP Pool investments are transacted using the net asset value (NAV) per share as of the close of business each business day by dividing the net position of the CAMP Pool by the number of outstanding shares. The CAMP Pool's objective is to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV. The CAMP Pool has an average weighted maturity of 41 days.

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 – CASH AND CASH EQUIVALENTS, continued

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, NOCLPSIA's deposits may not be returned. NOCLPSIA does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025 and 2024, NOCLPSIA's bank balances were not exposed to custodial credit risk.

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2025 and 2024, consist of the following:

| | 2025 | 2024 |
|--------------------------------|-------------------|-------------------|
| Trust account replenishment | \$ 58,815 | \$ 74,403 |
| Vendor payables | 80,193 | 58,276 |
| Return of net position payable | 114,707 | 179,572 |
| Total accounts payable | <u>\$ 253,715</u> | <u>\$ 312,251</u> |

NOTE 4 – DUE TO MEMBERS

The amounts due to members consist of return of net position, rebates and safety credit funds. The amounts due to members at June 30, 2025 and 2024, are summarized below:

| | 2025 | 2024 |
|--|---------------------|---------------------|
| ABC Unified School District | \$ 420,586 | \$ 446,458 |
| Buena Park School District | 208,594 | 194,773 |
| Centralia School District | 133,662 | 123,268 |
| Coastline Regional Occupational Program | 3,938 | 3,995 |
| College and Career Advantage | 14 | 14 |
| Cypress School District | 143,001 | 133,650 |
| Greater Anaheim Special Education Local Plan Area | 6,730 | 6,417 |
| La Habra City School District | 24,291 | 19,541 |
| Los Alamitos Unified School District | 21,959 | 20,935 |
| Magnolia School District | 19,431 | 15,327 |
| North Orange County Regional Occupational Program | 82,450 | 78,122 |
| Northern Orange County Self-Funded Workers' Compensation Authority | 82 | 78 |
| Orange County Fringe Benefits | 82 | 78 |
| Savanna School District | 30,439 | 29,021 |
| Westminster School District | - | 8,331 |
| Total due to members | <u>\$ 1,095,259</u> | <u>\$ 1,080,008</u> |

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 – RECONCILIATION OF CLAIMS LIABILITIES

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

| | 2025 | 2024 |
|---|-------------------|-------------------|
| Unpaid Claims Expenses at Beginning of the Year | \$ 859,225 | \$ 708,458 |
| Incurring expenses related to: | | |
| Provision for insured events of the current fiscal year | 633,045 | 458,606 |
| Provision/(credit) for insured events of prior fiscal years | (67,313) | 700 |
| Total Incurred Expenses | <u>565,732</u> | <u>459,306</u> |
| Payments related to: | | |
| Claims expenses attributable to insured events of the current fiscal year | 53,942 | 37,628 |
| Claims and claim adjustment expenses attributable to insured events of prior fiscal years | 433,604 | 270,911 |
| Total Payments | <u>487,546</u> | <u>308,539</u> |
| Claim Liabilities at End of the Year | <u>\$ 937,411</u> | <u>\$ 859,225</u> |

As a result of changes in estimates of insured events in prior years, the provision for incurred expense reserves increased by \$633,045 for year ending June 30, 2025 and increased by \$458,606 for year ending June 30, 2024. The change in incurred expenses was primarily attributed to new information regarding claim development that became known during subsequent periods.

The components of the unpaid claims and claim adjustment expenses as of June 30, 2025 and 2024, were as follows:

| | 2025 | 2024 |
|--------------------------------------|---------------------|-------------------|
| Claims Liabilities | \$ 937,411 | \$ 859,225 |
| Unallocated loss adjustment expenses | 446,513 | 338,150 |
| Total | 1,383,924 | 1,197,375 |
| Current portion | (250,000) | (250,000) |
| Non-current portion | <u>\$ 1,133,924</u> | <u>\$ 947,375</u> |

Claims liabilities are not discounted as of June 30, 2025 and 2024.

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 6 – NET POSITION

Net position is composed of the following elements as of June 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--------------------|---------------------|---------------------|
| Unrestricted | | |
| Designated | | |
| Capital target | \$ 550,965 | \$ 544,499 |
| Undesignated | 527,104 | 694,337 |
| Total net position | <u>\$ 1,078,069</u> | <u>\$ 1,238,836</u> |

NOTE 7 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS

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

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

| | |
|----------------------------------|--|
| A. Entity | <u>Southern California Regional Liability Excess Fun</u> |
| B. Purpose | Arranges and provides excess insurance coverage for liability and property claims beyond that which is claimed elsewhere |
| C. Participants | State-wide educational entities |
| D. Governing Board | Consisting of elected |
| E. Payments for the Current Year | <u>\$ (6,925,066)</u> |

NOTE 8 – SUBSEQUENT EVENTS

NOCLPSIA evaluated subsequent events from June 30, 2025 through September 24, 2025, the date the financial statements were issued. There are no subsequent events that have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2025

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

1. This line shows the total of each 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 year's other operating costs of the NOCLPSIA including overhead and claims expense not allocable to individual claims.
3. This line shows the NOCLPSIA's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation result from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2025

| | June 30, | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| (1) Required contribution and investment revenue | | | | | |
| Earned | 3,195,790 | 3,565,781 | 3,744,130 | 4,154,392 | 4,776,240 |
| Ceded | (2,673,628) | (3,034,662) | (3,218,919) | (3,594,023) | (4,152,468) |
| Net earned | 522,162 | 531,119 | 525,211 | 560,369 | 623,772 |
| (2) Unallocated expenses | 274,159 | 100,356 | 170,267 | 195,707 | 177,187 |
| (3) Estimated claims and expenses, end of policy year | | | | | |
| Incurred | 393,147 | 248,249 | 279,485 | 340,494 | 258,906 |
| Ceded | - | - | - | - | - |
| Net incurred | 393,147 | 248,249 | 279,485 | 340,494 | 258,906 |
| (4) Net paid (cumulative) as of | | | | | |
| June 30, 2016 | 166,922 | - | - | - | - |
| June 30, 2017 | 170,491 | 33,380 | - | - | - |
| June 30, 2018 | 239,418 | 85,442 | 58,195 | - | - |
| June 30, 2019 | 252,384 | 145,565 | 101,110 | 47,802 | - |
| June 30, 2020 | 252,384 | 147,458 | 134,699 | 109,430 | 29,565 |
| June 30, 2021 | 252,384 | 147,458 | 153,441 | 209,536 | 126,319 |
| June 30, 2022 | 252,384 | 147,458 | 153,441 | 213,252 | 208,683 |
| June 30, 2023 | 252,384 | 147,458 | 153,441 | 216,951 | 210,101 |
| June 30, 2024 | 252,384 | 147,458 | 153,441 | 230,097 | 217,857 |
| June 30, 2025 | 252,384 | 147,458 | 153,441 | 230,097 | 217,857 |
| (5) Re-estimated ceded claims and expenses | - | - | - | - | - |
| (6) Re-estimated net incurred claims and expenses | | | | | |
| June 30, 2016 | 393,147 | - | - | - | - |
| June 30, 2017 | 281,301 | 248,249 | - | - | - |
| June 30, 2018 | 252,384 | 149,596 | 279,485 | - | - |
| June 30, 2019 | 252,384 | 149,596 | 154,883 | 335,045 | - |
| June 30, 2020 | 252,384 | 147,458 | 154,883 | 335,045 | 258,906 |
| June 30, 2021 | 252,384 | 147,458 | 154,536 | 256,777 | 273,572 |
| June 30, 2022 | 252,384 | 147,458 | 153,441 | 254,186 | 245,102 |
| June 30, 2023 | 252,384 | 147,458 | 153,441 | 249,186 | 232,100 |
| June 30, 2024 | 252,384 | 147,458 | 153,441 | 234,186 | 217,857 |
| June 30, 2025 | 252,384 | 147,458 | 153,441 | 230,097 | 217,857 |
| (7) (Increase)/Decrease in estimated incurred claims and expenses from the end of the policy year | 140,763 | 100,791 | 126,044 | 110,397 | 41,049 |

NORTHERN ORANGE COUNTY LIABILITY AND PROPERTY SELF INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2025

| | June 30, | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| (1) Required contribution and investment revenue | | | | | |
| Earned | 4,963,106 | 5,307,002 | 5,757,868 | 6,543,182 | 7,687,379 |
| Ceded | (4,418,753) | (4,768,650) | (5,153,914) | (5,833,989) | (6,925,066) |
| Net earned | 544,353 | 538,352 | 603,954 | 709,193 | 762,313 |
| (2) Unallocated expenses | 203,188 | 210,630 | 317,845 | 271,322 | 357,348 |
| (3) Estimated claims and expenses, end of policy year | | | | | |
| Incurred | 214,860 | 301,137 | 484,065 | 458,606 | 633,045 |
| Ceded | - | - | - | - | - |
| Net incurred | 214,860 | 301,137 | 484,065 | 458,606 | 633,045 |
| (4) Net paid (cumulative) as of | | | | | |
| June 30, 2016 | - | - | - | - | - |
| June 30, 2017 | - | - | - | - | - |
| June 30, 2018 | - | - | - | - | - |
| June 30, 2019 | - | - | - | - | - |
| June 30, 2020 | - | - | - | - | - |
| June 30, 2021 | 27,178 | - | - | - | - |
| June 30, 2022 | 111,004 | 82,346 | - | - | - |
| June 30, 2023 | 137,967 | 174,868 | 54,862 | - | - |
| June 30, 2024 | 137,967 | 266,129 | 193,642 | 37,628 | - |
| June 30, 2025 | 138,856 | 317,707 | 342,131 | 236,259 | 53,942 |
| (5) Re-estimated ceded claims and expenses | - | - | - | - | - |
| (6) Re-estimated net incurred claims and expenses | | | | | |
| June 30, 2016 | - | - | - | - | - |
| June 30, 2017 | - | - | - | - | - |
| June 30, 2018 | - | - | - | - | - |
| June 30, 2019 | - | - | - | - | - |
| June 30, 2020 | - | - | - | - | - |
| June 30, 2021 | 214,860 | - | - | - | - |
| June 30, 2022 | 228,021 | 301,137 | - | - | - |
| June 30, 2023 | 197,359 | 293,034 | 484,065 | - | - |
| June 30, 2024 | 176,143 | 368,901 | 436,651 | 458,606 | - |
| June 30, 2025 | 163,643 | 353,881 | 444,180 | 404,336 | 633,045 |
| (7) (Increase)/Decrease in estimated incurred claims and expenses from the end of the policy year | 51,217 | (52,744) | 39,885 | 54,270 | - |

OTHER INDEPENDENT AUDITORS' REPORT



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Northern Orange County Liability and Property Self Insurance Authority (NOCLPSIA), which comprise the statement of net position as of June 30, 2025, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated September 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NOCLPSIA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NOCLPSIA's internal control. Accordingly, we do not express an opinion on the effectiveness of NOCLPSIA'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 NOCLPSIA's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

CWDL, Certified Public Accountants

San Diego, California
September 24, 2025