



**ASSOCIATION OF CALIFORNIA WATER AGENCIES**  
**JOINT POWERS INSURANCE AUTHORITY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Years Ended September 30, 2009 and 2008

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

Years Ended September 30, 2009 and 2008

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i
Executive Committee	iv
Organization Chart	v
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statements of Net Assets	12
Statements of Revenues, Expenses, and Changes in Net Assets	13
Statements of Cash Flows	14
Notes to Financial Statements	15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Reconciliation of Claims Liabilities by Type of Contract	34
Ten-Year Claims Development Information	35
Notes to Required Supplementary Information	38
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues and Expenses by Program (Cumulative)	39
<b>STATISTICAL SECTION (Not covered by Independent Auditor's Report)</b>	
Statistical Section	40
Statements of Net Assets	41
Statements of Revenues, Expenses and Changes in Net Assets	42
Revenues by Program	43
Expenses by Program	44
Schedule of Rate Stabilization Fund Activity	45
Economic Statistics	46
Liability & Workers' Compensation Covered Payroll	
Property Total Insured Value	47
<b>OTHER INDEPENDENT AUDITORS' REPORT</b>	
Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48

## **INTRODUCTORY SECTION**

December 22, 2009

Members, Board of Directors  
Association of California Water Agencies  
Joint Powers Insurance Authority

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) for the year ended September 30, 2009, is hereby respectfully submitted. The JPIA Finance Department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the JPIA. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the JPIA as measured by the financial activity of its various programs and policy periods; and that all disclosures necessary to enable the reader to gain the maximum understanding of the JPIA's financial affairs have been included.

Maze & Associates, a firm of licensed certified public accountants, has audited the JPIA's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the JPIA for the fiscal year ended September 30, 2009, are free of material misstatements. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Also included is an assessment of the accounting principles used and significant estimates made by management and an evaluation of the overall financial statement presentation. The auditor concluded, based upon audit, that there was a reasonable basis for rendering an unqualified opinion that the JPIA's financial statements for the fiscal year ended September 30, 2009, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **ASSOCIATION OF CALIFORNIA WATER AGENCIES JOINT POWERS INSURANCE AUTHORITY PROFILE**

The JPIA is a public entity formed in 1979 by 83 California water agencies. It is a special district in the state of California and its formation and operation are subject to the provisions of the California Government Code.

The JPIA is dedicated to consistently and cost effectively providing the broadest possible affordable insurance coverages and related services to its member agencies. The JPIA provides risk-sharing pools to meet the needs of its members for Liability, Property, and Workers' Compensation coverage. Besides handling covered claims for its members, it provides risk management services and training programs. Additionally, the JPIA continues to provide members with a training library.

As of September 30, 2009, the JPIA had 290 members. Each member selects one representative to serve as a director on the JPIA Board of Directors. From this body nine members are elected to serve with staggered terms as a member of the JPIA's Executive Committee. The current Vice President of the Association of California Water Agencies also serves as a voting member on the Executive Committee.

The JPIA's reporting entity includes all activities of the Board of Directors and staff considered part of and controlled by the JPIA. This includes financial activities relating to all programs and insurance pools of the JPIA.

## **INTERNAL ACCOUNTING STRUCTURE**

The JPIA's accounting system is organized so that each program can be accounted for and evaluated independently. Policy periods are also accounted for separately for each program. The assets, liabilities, revenues and expenses of each year are reported on a full accrual basis. All transactions are accounted for in a governmental enterprise fund.

JPIA management 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 the preparation of financial statements in conformity with GAAP. Internal accounting controls are designed

to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control decisions are made within the above guidelines. Management believes that the JPIA's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **ACKNOWLEDGEMENTS**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all staff members who assisted and contributed to the preparation of this report.

Our sincere appreciation is expressed to the members of the JPIA's Finance & Audit Committee and Executive Committee for their support in maintaining the highest standards of professionalism in the management of JPIA finances.

Our appreciation is also extended to each Director and Alternate Director of the Board of Directors and to all Committee and Subcommittee members for their commitment to the JPIA.

We stand ready to any answer questions you may have regarding the contents of this report.

Respectively Submitted,



Walter "Andy" Sells  
Chief Financial & Operations Officer



David deBernardi, CPA  
Director of Finance

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**EXECUTIVE COMMITTEE**

<u>Name</u>	<u>Office</u>	<u>District</u>
Wes Bannister	President	Orange County Water District (WD)
Joan Finnegan	Vice-President	Municipal WD of Orange County
Merle Aleshire	Director	Valley Center Municipal WD
Tom Cuquet	Director	South Sutter WD
Joseph Dion	Director	Citrus Heights WD
E.G. "Jerry" Gladbach	Director	Castaic Lake WA
W.D. "Bill" Knutson	Director	Yuima Municipal WD
Melody McDonald	Director	San Bernardino Valley WCD
Lou Reinkens	Director	Tahoe City Public Utility District
Paul Kelly	At-Large	ACWA Vice-President
Dan Klaff	CEO	
Walter "Andy" Sells	CFO & COO	

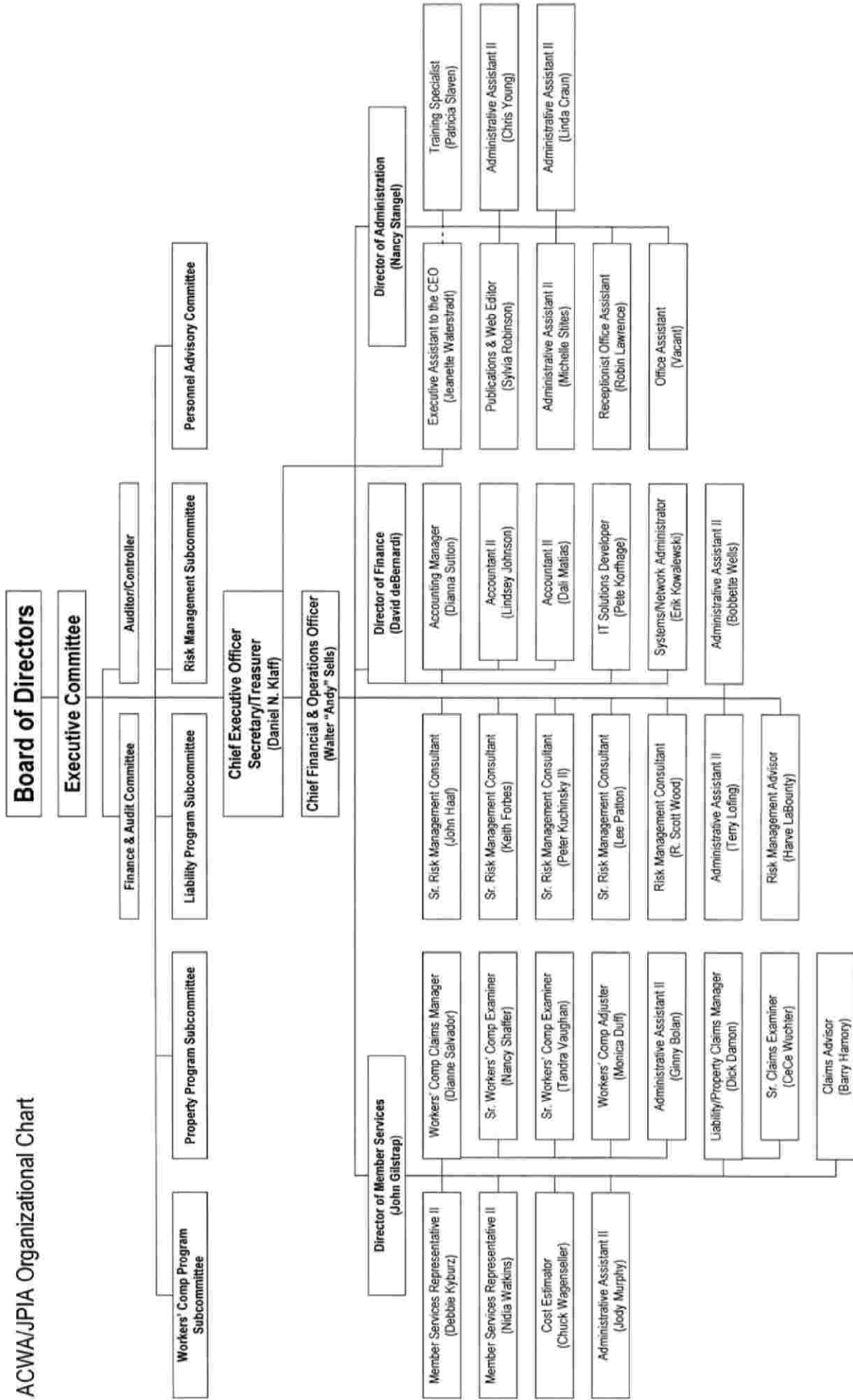
Office Address

5620 Birdcage St. Ste 200  
Citrus Heights, California 95610

Report Prepared By The  
Finance Department

David deBernardi, CPA, Director of Finance  
Dianna Sutton, Accounting Manager  
Dalisay Matias, Accountant II  
Lindsey Johnson, Accountant II  
Bobbette Wells, Administrative Assistant II

# ACWA/JPIA Organizational Chart





## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Association of California Water Agencies  
Joint Powers Insurance Authority  
Citrus Heights, California

We have audited the basic financial statements of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) as of and for the year ended September 30, 2009 as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the ACWA/JPIA as of September 30, 2008 were audited by other auditors whose report dated January 29, 2009 was unqualified.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the financial position of the ACWA/JPIA as of September 30, 2009 and the changes in financial position and cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As described in Note 12, effective in fiscal 2009, the ACWA/JPIA implemented the provisions of GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 22, 2009 on our consideration of the ACWA/JPIA's internal control 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Mayer and Associates*

December 22, 2009

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Association of California Water Agencies Joint Powers Insurance Authority (the JPIA) we offer readers of the JPIA's financial statements this narrative overview and analysis of the financial activities of the JPIA for the fiscal year ended September 30, 2009. We encourage readers to consider the information here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i to iii of this report.

## DESCRIPTION OF BASIC FINANCIAL STATEMENTS

The JPIA operates as an enterprise fund and utilizes an accrual basis of accounting. The report includes the basic financial statements for the JPIA in accordance with Generally Accepted Accounting Principles. The Statements of Net Assets present a snapshot of the JPIA's assets, liabilities and net assets as of September 30, 2009 and 2008. The Statements of Revenue, Expenses, and Changes in Net Assets, report the revenues and expenses for the fiscal years resulting in the changes to net assets. The Statements of Cash Flows provide the reader with details on cash inflows and outflows during the fiscal years ended. The Notes to the Financial Statements present the reader with additional information to enhance and complement understanding of the financial statements.

### CONDENSED FINANCIAL STATEMENTS

At year end September 30, 2009, the JPIA's investment portfolio has a short position with the average duration of 1.16 years compared to 1.44 at the end of 2008. This is due to the liquidity needs of projected Rate Stabilization Fund refunds, the pending purchase of a new building and the unfavorable long-term investment yields in the market. The shift to noncurrent assets from current assets during fiscal year 2008 was the result of the JPIA taking advantage of friendlier interest rates on federal agency coupons and medium term notes with longer durations, coupled with the JPIA's lesser need for short-term liquidity. Depending on the short term cash requirements in the upcoming year, the JPIA anticipates moving the investment portfolio to a longer position as the market warrants.

The JPIA's overall assets increased by approximately \$6.2 million from 2008. While the total combined cash and investments had minimal change (\$108.3 vs. \$108.2 million), the increase was the result of cash generated from operations being used to pay the liability excess insurance in advance (\$4.8 million) and the creation of the other post employment benefit trust account (\$3 million) with CalPERS to fund retiree medical benefits that resulted in a net OPEB asset of \$2.6 million.

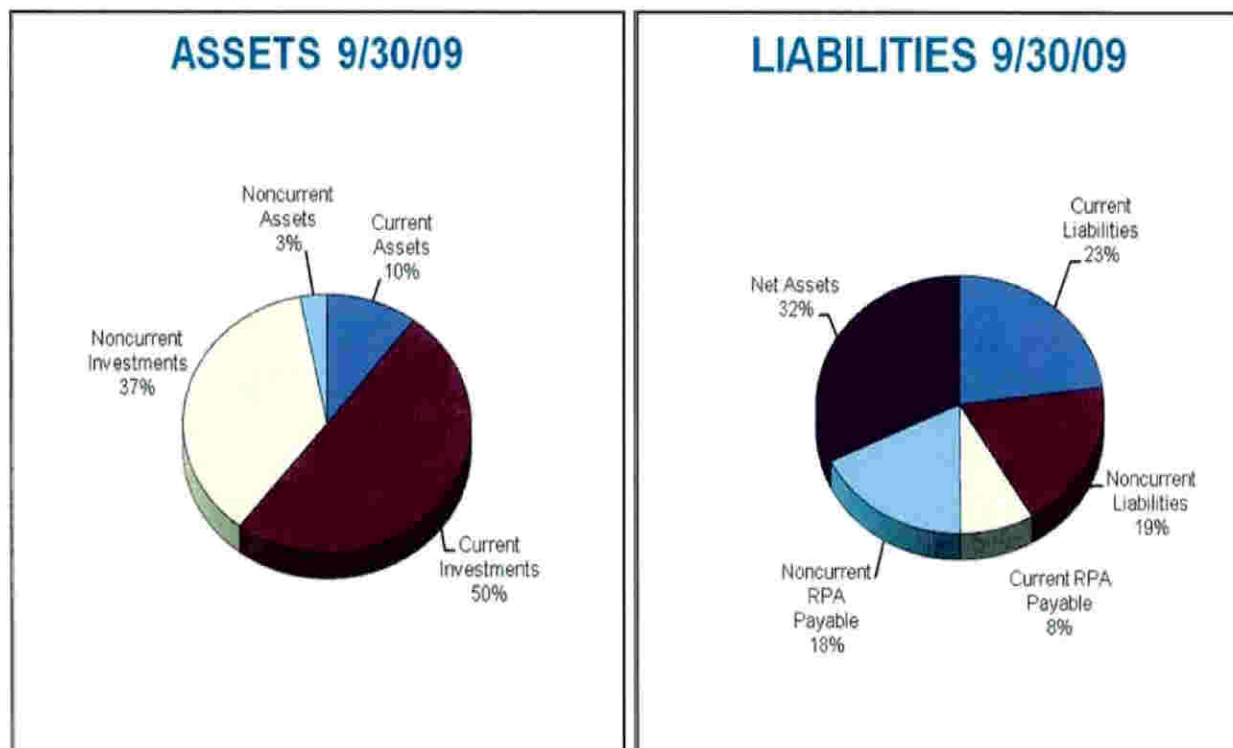
For fiscal year-end 2008 the total assets increased by \$6.4 million from the previous year. This increase in assets was caused primarily by a favorable change in net assets of \$6.8 million and the lack of any significant events to warrant the use of these assets.

The JPIA has experienced an increase of approximately \$4.5 million in its total liabilities at year-end 2009 when compared to 2008. This boost was caused primarily by an increased overall claims liability (\$2.28 million) and enlarged retrospective premium adjustment payables (\$2.1 million). The overall claims liability is a function of recent actuarial estimates. These estimates for the recent policy years were up \$2.3 million. The Workers' Compensation Program had the most notable of all changes. As a result of

the decreased actuarial estimates for older policy years more of them were in an overfunded position thus increasing retrospective premium adjustment payables (monies due back to the member districts) in the short-term. The JPIA accordingly, expects to pay out record amounts in refunds to its member districts in January 2010. There were no significant changes in the total liabilities from fiscal year-end 2007 to 2008.

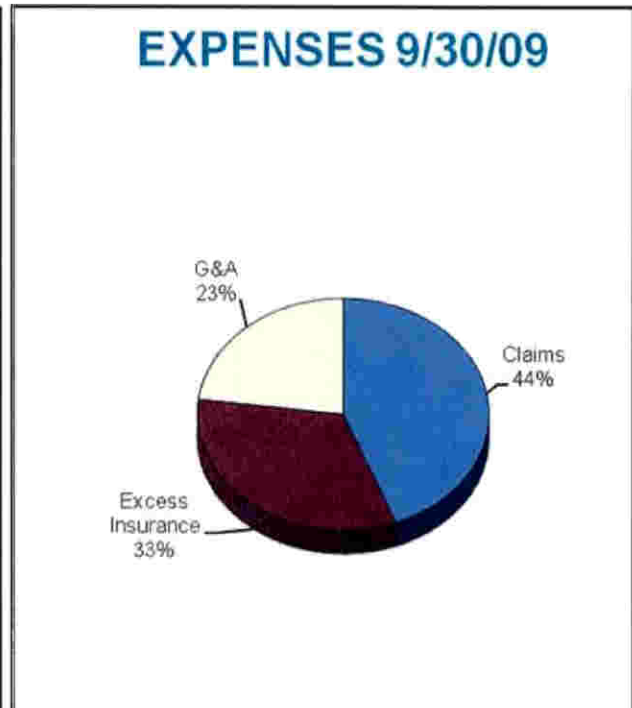
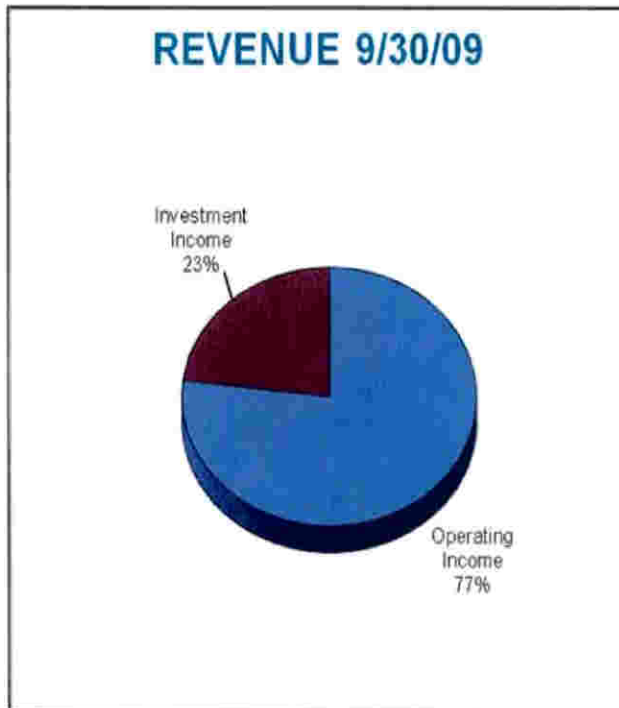
### CONDENSED STATEMENT OF NET ASSETS

	9/30/2009	9/30/2008	9/30/2007	9/30/09 vs 08 Variance	9/30/08 vs 07 Variance
<b>ASSETS</b>					
Current Assets	\$ 74,941,366	\$ 69,852,266	\$ 90,677,479	\$ 5,089,100	\$ (20,825,213)
Noncurrent Assets	49,125,661	48,012,298	20,799,234	1,113,363	27,213,064
Total Assets	<u>124,067,027</u>	<u>117,864,564</u>	<u>111,476,713</u>	<u>6,202,463</u>	<u>6,387,851</u>
<b>LIABILITIES</b>					
Current Liabilities	38,564,342	35,783,642	36,651,610	2,780,702	(867,970)
Noncurrent Liabilities	45,429,021	43,720,624	43,299,236	1,708,397	421,388
Total Liabilities	<u>83,993,363</u>	<u>79,504,266</u>	<u>79,950,846</u>	<u>4,489,099</u>	<u>(446,582)</u>
<b>NET ASSETS</b>	<u>\$ 40,073,664</u>	<u>\$ 38,360,298</u>	<u>\$ 31,525,867</u>	<u>\$ 1,713,366</u>	<u>\$ 6,834,431</u>



## CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	9/30/2009	9/30/2008	9/30/2007	9/30/09 vs 08 Variance	9/30/08 vs 07 Variance
<b>OPERATING REVENUES</b>					
Net Member Contributions	\$ 29,469,780	\$ 31,155,506	\$ 30,636,804	\$(1,685,726)	\$ 518,702
Retrospective Premium Adjustments	(8,387,426)	(4,279,423)	(11,224,912)	(4,108,003)	6,945,489
<b>Total Operating Revenues</b>	<b>21,082,354</b>	<b>26,876,083</b>	<b>19,411,892</b>	<b>(5,793,729)</b>	<b>7,464,191</b>
<b>OPERATING EXPENSES</b>					
Provision for Claims	11,325,832	8,237,430	8,739,436	3,088,402	(502,006)
Excess Insurance	8,439,434	8,447,857	7,974,435	(8,423)	473,422
General & Administrative	5,898,704	4,926,218	4,540,838	972,486	385,380
<b>Total Operating Expenses</b>	<b>25,663,970</b>	<b>21,611,505</b>	<b>21,254,709</b>	<b>4,052,465</b>	<b>356,796</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(4,581,616)</b>	<b>5,264,578</b>	<b>(1,842,817)</b>	<b>(9,846,194)</b>	<b>7,107,395</b>
<b>NONOPERATING REVENUES</b>					
Investment Income	6,294,982	1,569,853	4,501,331	4,725,129	(2,931,478)
<b>INCREASE IN NET ASSETS</b>	<b>1,713,366</b>	<b>6,834,431</b>	<b>2,658,514</b>	<b>(5,121,065)</b>	<b>4,175,917</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>38,360,298</b>	<b>31,525,867</b>	<b>28,867,353</b>	<b>6,834,431</b>	<b>2,658,514</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 40,073,664</b>	<b>\$ 38,360,298</b>	<b>\$ 31,525,867</b>	<b>\$ 1,713,366</b>	<b>\$ 6,834,431</b>



## FINANCIAL HIGHLIGHTS

The financial position of the JPIA remains strong with approximately 32¢ of each \$1 of asset unencumbered by a liability at the end of the last two fiscal years.

When comparing to the prior year, fiscal year-end 2009 member contribution revenue decreased by \$1.68 million. This was mainly caused by decreased workers' compensation rates billed to the member districts the last two policy years 07/08 and 08/09.

The JPIA has kept its excess insurance costs steady the last couple of years. At year-end 2009, the JPIA had locked in its workers' compensation excess insurance rate at the same amount (\$472 thousand) for the upcoming policy year 2010/11. This is great news amidst dire forecasts of increasing rates in the workers' compensation market from various authorities including the JPIA actuary. The JPIA general and administrative expense (G&A) has increased the last couple of years especially in fiscal year ended 2009 where for the first time, the JPIA recognized medical retirement expenses of approximately \$300 thousand estimated by an actuary. Previously these expenses were allowed to be recognized as G&A by accounting rules on a "pay as you go" basis. Also increasing these expenses was the one-time payoff of \$462 thousand to the CalPERS side fund. To save money in the future, the JPIA Executive Committee approved paying off this fund in May 2009 in return for a reduced CalPERS payroll rate over the next 12 years. This will result in approximately \$213 thousand in savings over that time.

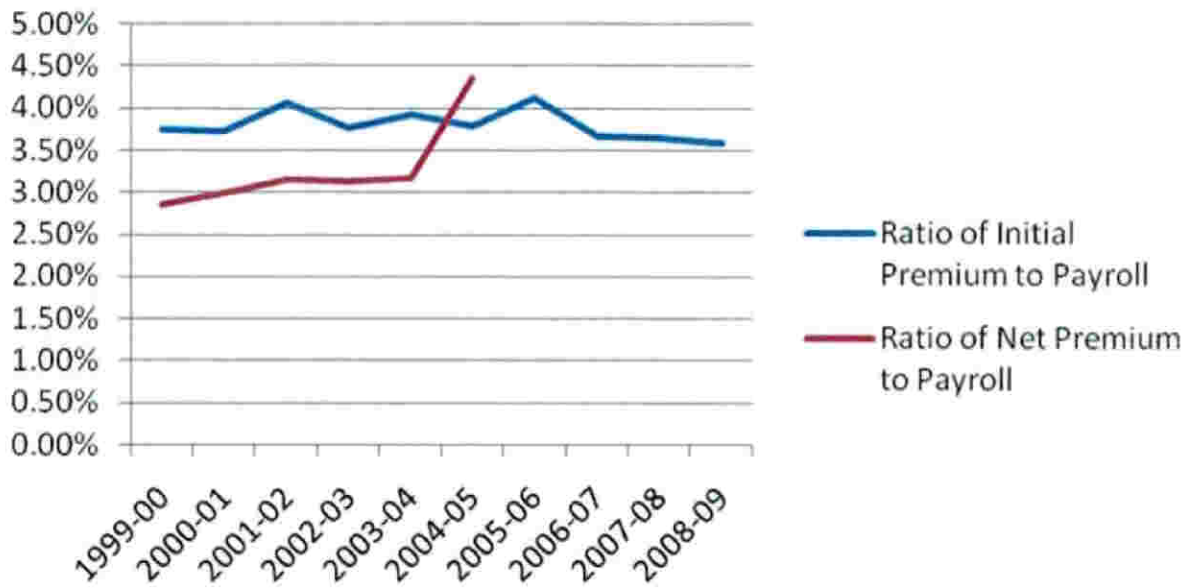
Recent estimates by the JPIA's actuary have reflected a \$3 million rise in the incurred claims. Of the \$3 million boost approximately \$2 million was attributed to the liability program and approximately \$1 million from the Workers' Compensation Program.

The JPIA has reported a significant uptick of \$4.7 million in investment income. Of this income \$3.6 million came from unrealized gains. Since interest rates have dropped to record lows during the 2009 fiscal year, the noncurrent portion of the JPIA portfolio has experienced a windfall of unrealized gains since most were purchased at rates very favorable in the current marketplace.

### **LIABILITY PROGRAM**

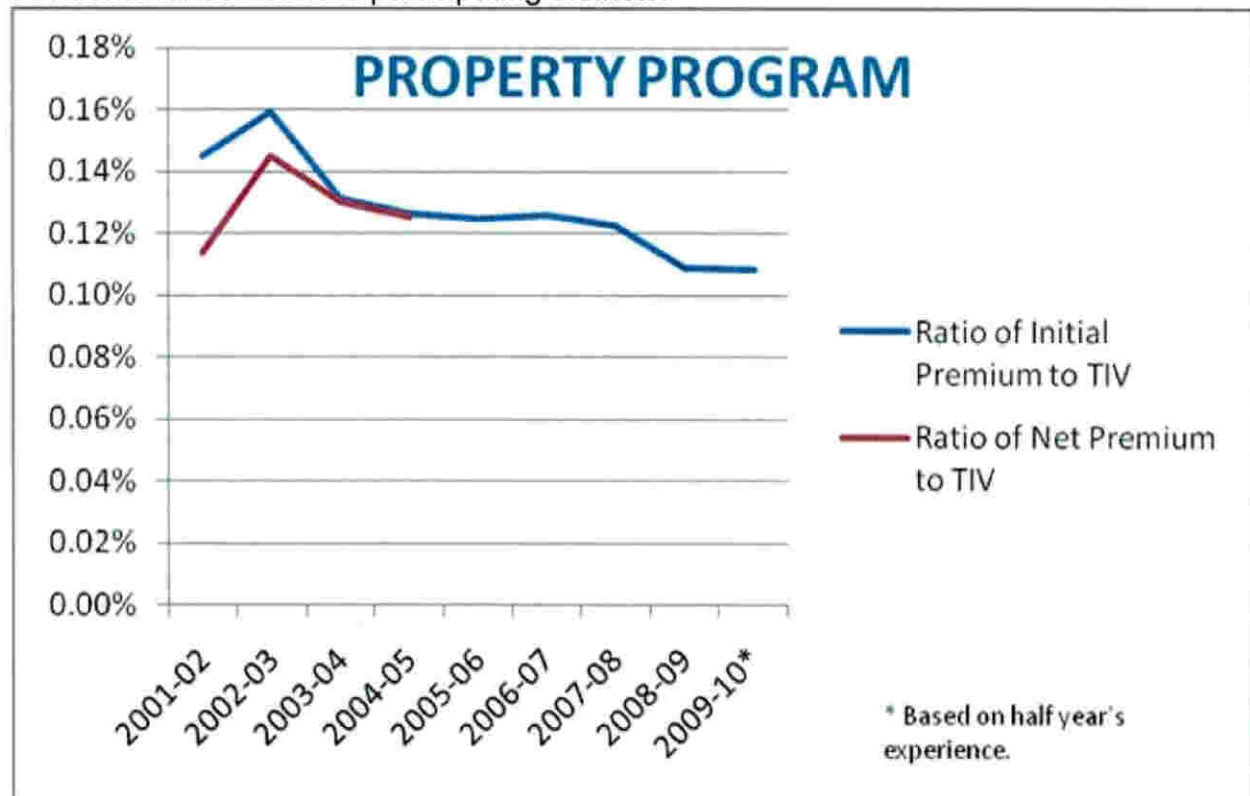
The Liability Program continues to be the JPIA's most popular program with 284 participating members in the recent policy year 2008-09. As the largest program, the latest policy years (2008/09 and 2007/08) have collected premiums of \$15.5 and \$15.9 million, respectively. Rates charged to the members over the last ten years have remained relatively constant. As displayed in the following graph the initial premium charged to members divided by the corresponding policy year's payroll has stayed in the 3.5–4% range. Also displayed in the following graph is the initial premium plus or minus policy year billings or refunds, divided by the payroll. This ratio gives the reader a visual of how the policy year actually performed when considering actual losses. With the exception of the 2004-05 policy this trend has been favorable. The 2004-05 year includes losses from a major auto accident, a child drowning in a canal, approximately \$600 thousand in employment practice claims, and an increase in the severity of infrastructure failure claims. The JPIA does not determine refunds or additional billings for policy years until programs have 4 years of history. The 2008-09 policy year is off to a good start, but it is too early to make any predictions.

## LIABILITY PROGRAM



## PROPERTY PROGRAM

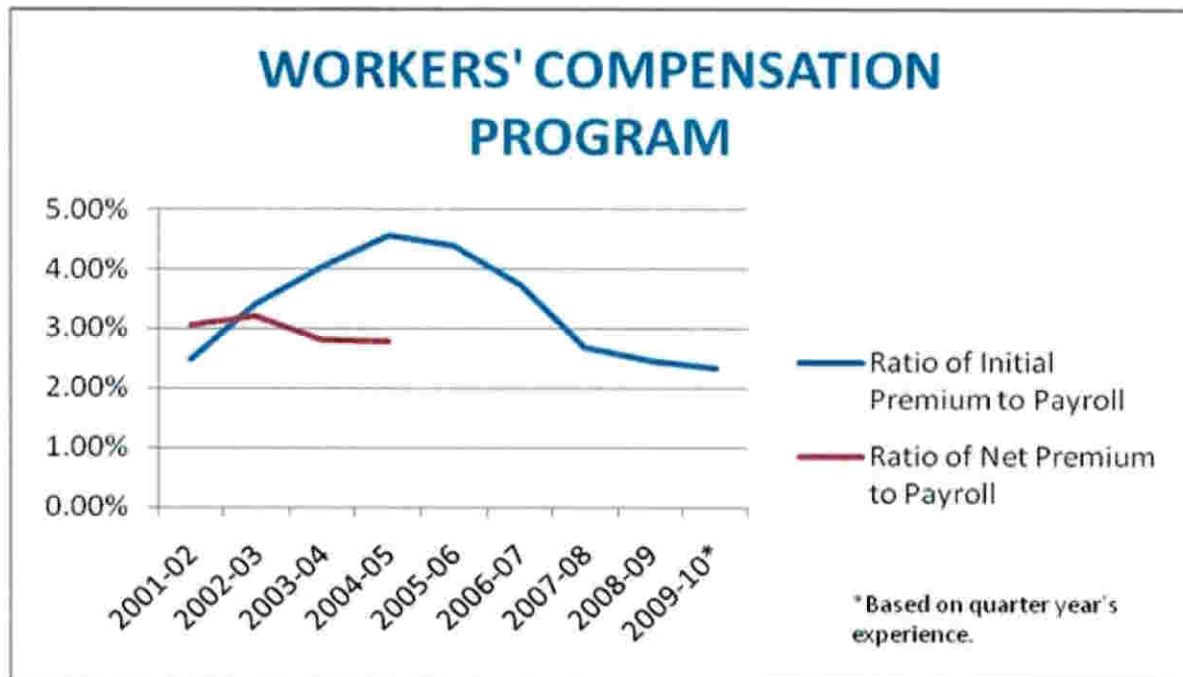
The Property Program has 254 members at year-end 2009. The two recent completed policy years 2008/09 and 2007/08 collected just under \$4 million in premiums, respectively. Due to the nature of this program, losses are settled much quicker than other programs and are thus more predictable. Property Program rates charged to members along with recent loss history has been very favorable. The following graph depicts the ratio of premiums billed to members, divided by total insured value (TIV). Current ratios match those of ten years ago and none of these policy years needed additional funds from the participating districts.





## WORKERS' COMPENSATION PROGRAM

The Workers' Compensation Program has had favorable experience over the past several years. Legislative changes, such as SB899 which was passed in 2004, are showing very positive results throughout the State of California. The JPIA has benefited from the changes in law, as well as our own emphasis on workplace safety. Since 2004-05, the JPIA has reduced the rates charged to members by nearly 50 percent. Rates for the current policy year remained unchanged even though losses and rates in the industry, as a whole, increased. The chart following demonstrates this favorable trend by depicting the ratio of premiums to payroll for last eight years with indicators of the 2009-10 policy year based on first quarter's experience. The large refunds from policy years 2003-04 and 2004-05 are apparent. Policy years 2005-06 to current have not been eligible for refunds to date but results show this trend continuing.

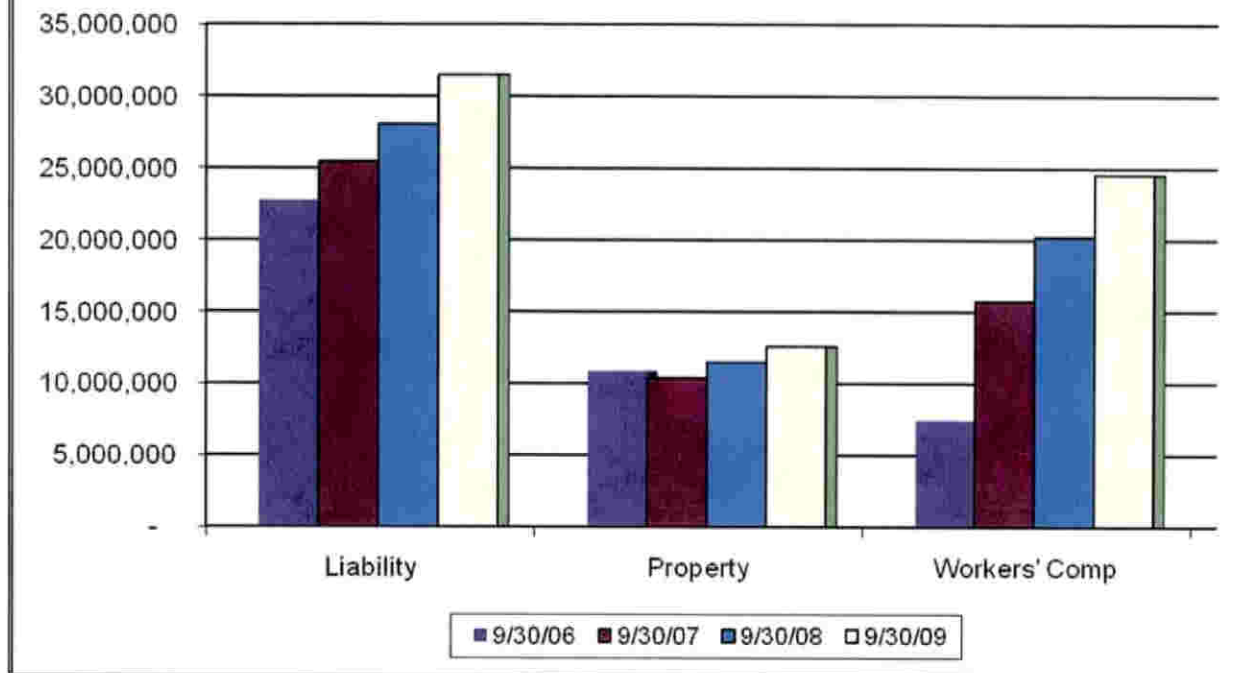


## RETROSPECTIVE PREMIUM ADJUSTMENTS

The Retrospective Premium Adjustment (RPA) process compares actual costs of a given policy year to premiums previously collected, resulting in either an amount due to member agencies or an amount due from member agencies. The RPA increased \$8.4 million during fiscal year end 2009, and is based on the actuarially projected losses for prior policy years. Annually the JPIA contracts with an independent actuary to conduct a review of claims incurred and make a projection for ultimate claims costs for each policy year.

The following graph demonstrates the cumulative RPAs, since inception, of the main programs for the fiscal years ended 2006, 2007, 2008 and 2009. The Liability Program shows an additional \$8.7 plus million due to member agencies over this time span. The Workers' Compensation Program depicts an additional \$17.1 million due to member agencies over the last three years. Approximately \$31.1 million of the \$69.2 million total cumulative RPAs have been refunded back to the member agencies as of September 30, 2009.

## CUMULATIVE RPAs by PROGRAM Fiscal Years Ended September 30



### CASH AND INVESTMENTS

Cash and investments as of September 30, 2009 and 2008 exceeded \$108 million, making up approximately 87% and 92% of the assets, respectively. The long term investment portfolio is managed by PFM Asset Management, LLC. The short term investments are managed internally by JPIA staff. The objectives of the investment policy in order of priority are safety of principal, adequate liquidity and optimum rate of return.

Cash and investments increased only slightly by \$108 thousand during the current fiscal year ending September 30, 2009. The prior fiscal year ending September 30, 2008 there was a \$7.5 million increase and a \$12.7 million increase during the prior fiscal year ending September 30, 2007.

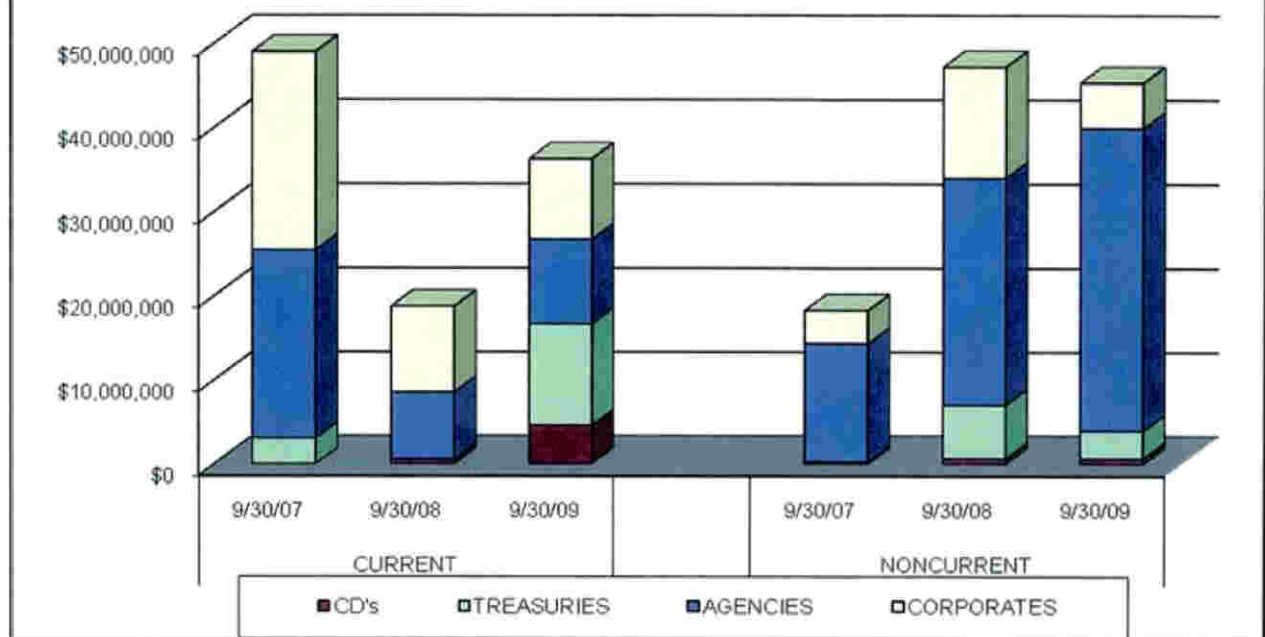
On September 30, 2009, the average number of days to maturity was 422 compared to 374 as of year-end 2008. The effective rate of return was 2.67% compared to 3.15% as of September 30, 2008, and 4.99% as of September 30, 2007. This trend is a return of the recent market changes as interest yields reached decade lows.

The overall portfolio continues to reflect a short position with the intent of taking advantage of interest rate increases long term as they start to rise.

Current investments were increased due to the JPIA's short term liquidity needs. With an increase in the upcoming RPA refunds to members and the purchase of a new building, greater emphasis on liquidity prevailed. As of September 30, 2009, 2008 and 2007 the current investments were \$36.3, \$18.9 and \$49 million, respectively.

The following graph details the current (short term) and noncurrent (long term) investments during the three year period.

## INVESTMENT MATURITIES Fiscal Years Ended September 30



## FACTS OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL POSITION OR RESULT OF OPERATIONS

### UNDEVELOPED BUILDING

In May 2007 an ad-hoc building and property subcommittee was formed for purposes of determining whether to 1) renovate the 5620 Birdcage building, 2) purchase an existing building, or 3) purchase land and develop a new building. After careful analysis and discussion in May 2009, the Board of Directors provided the Executive Committee the authority to purchase an existing building. On August 25, 2009 the JPIA agreed to purchase a building located in Roseville, California. Subsequently on November 18, 2009 after completing due diligence, the JPIA closed escrow to purchase this building for \$2,780,000. During fiscal year 2010, the JPIA intends to move its office to the new location. Currently, planning is underway to renovate the premises to prepare for staff occupancy. Costs related to preparing this building for its intended use, have been capitalized as "Undeveloped building". Once the facility is ready for occupation, it will be depreciated over 30 years. The JPIA intends to lease out the old building and sell it when the market is more favorable.

### WORKERS' COMPENSATION REFORM

The last several years have seen significant rate reductions in the California Workers' Compensation market due to the legislative reforms implemented in 2002 and 2004. In the last year, there has been a reversal of this trend. The Workers' Compensation Appeals Board (WCAB) made two en banc decisions (Ogilvie and Almarez/Guzman) that are likely to permit more challenges to the process of settling permanent disability

payment amounts based on the extent of worker injuries. These WCAB decisions, combined with escalating claims costs, particularly for medical expenses, prompted the Workers' Compensation Insurance Rating Bureau (WCIRB) to file for a mid-year (July 1, 2009) rate increase of 23.7%.

The California Department of Insurance (DOI) rejected that rate filing. Interestingly, the DOI Commissioner, Steve Poizner, noted in the rejection that he felt that insurance carriers were inefficient in controlling costs and urged them to "work to be as efficient as their self-insured counterparts".

The WCIRB has again filed for a rate increase of 22.8%, to be effective January 1, 2010, citing the same reasons. The DOI has not yet ruled on the filing. Nonetheless, insurance carriers, which are not bound by the WCIRB filings or the DOI's position on them, have filed their own rate changes. For instance, State Compensation Insurance Fund (SCIF), which implemented a 9% increase effective January 1, 2009, also implemented another 15% increase effective July 1, 2009. They also filed for a 5% increase for January 1, 2010.

Against this background, the JPIA's Workers' Compensation Program Subcommittee examined the July 1, 2009 renewal of the Program and the excess coverage. The JPIA's broker obtained competitive proposals for the excess coverage. The incumbent excess carrier presented the most competitive proposal, which included a 5% reduction in their rate as well as a guarantee to renew at the same rate for the July 1, 2010 renewal. The Subcommittee recommended accepting this proposal and recommended renewing the Program "as-is", with no change in the rates charged to members. The Executive Committee approved these recommendations.

## CONCLUSION

This financial report is designed to provide a general overview of the JPIA's finances. For further information, the JPIA has a website, [www.acwajpia.com](http://www.acwajpia.com), which provides the most current approved independent audited financial statements. Questions concerning any of the information can be sent to the following address.

**ACWA/JPIA - Finance Department  
5620 Birdcage St., Suite #200 - Citrus Heights, CA 95610**

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 26,648,266	\$ 42,211,725
Investments	36,313,569	18,875,154
Account receivable:		
Member premiums	2,922,685	3,053,062
Excess insurance proceeds	26,301	47,326
Investment income	573,996	799,666
Retrospective premium adjustment receivables	1,542,623	3,020,941
Other receivables	112,962	56,002
Prepaid excess insurance	6,673,453	1,654,721
Other prepaid expenses	127,511	133,669
<b>TOTAL CURRENT ASSETS</b>	<b>74,941,366</b>	<b>69,852,266</b>
<b>NONCURRENT ASSETS</b>		
Investments	45,369,799	47,136,963
Aggregate insurance receivable	88,462	0
Net other post employment benefits	2,689,258	0
Capital assets, net of accumulated depreciation	978,142	875,335
<b>TOTAL NONCURRENT ASSETS</b>	<b>49,125,661</b>	<b>48,012,298</b>
<b>TOTAL ASSETS</b>	<b>\$ 124,067,027</b>	<b>\$ 117,864,564</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 137,934	\$ 603,520
Accrued expenses	261,234	227,993
Unearned member premiums	18,311,328	17,800,279
Retrospective premium adjustment payables	10,273,188	6,896,144
Provision for claims	9,580,658	10,255,706
<b>TOTAL CURRENT LIABILITIES</b>	<b>38,564,342</b>	<b>35,783,642</b>
<b>NONCURRENT LIABILITIES</b>		
Retrospective premium adjustment payables	22,068,928	23,314,916
Claims reserves	3,904,373	1,984,280
Claims incurred but not reported	17,404,117	16,433,614
Unallocated loss adjustment liability	2,051,603	1,987,814
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>45,429,021</b>	<b>43,720,624</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 83,993,363</b>	<b>\$ 79,504,266</b>
<b>NET ASSETS</b>		
Invested in capital assets	\$ 978,142	\$ 875,335
Unrestricted	39,095,522	37,484,963
<b>TOTAL NET ASSETS</b>	<b>\$ 40,073,664</b>	<b>\$ 38,360,298</b>

See accompanying notes to financial statements.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<b>2009</b>	<b>2008</b>
<b>OPERATING REVENUES</b>		
Member premiums	\$ 29,469,780	\$ 31,155,506
Retrospective premium adjustments	<u>(8,387,426)</u>	<u>(4,279,423)</u>
<b>TOTAL OPERATING REVENUES</b>	<u>21,082,354</u>	<u>26,876,083</u>
<b>OPERATING EXPENSES</b>		
Claims expense:		
Claims paid	9,134,958	10,075,155
Change in excess aggregate recovery	(88,462)	0
Change in claims reserves	2,281,381	(1,086,328)
Change in claims incurred but not reported	(65,834)	(642,041)
Change in unallocated loss adjustment expense	<u>63,789</u>	<u>(109,356)</u>
Total claims expense	<u>11,325,832</u>	<u>8,237,430</u>
Excess insurance	8,439,434	8,447,857
General and administrative	5,841,653	4,837,353
Depreciation	<u>57,051</u>	<u>88,865</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>25,663,970</u>	<u>21,611,505</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(4,581,616)</u>	<u>5,264,578</u>
<b>NONOPERATING REVENUES</b>		
Investment income	2,662,428	3,942,892
Net increase (decrease) in investment fair value	<u>3,632,554</u>	<u>(2,373,039)</u>
<b>TOTAL NONOPERATING REVENUES</b>	<u>6,294,982</u>	<u>1,569,853</u>
<b>CHANGE IN NET ASSETS</b>	1,713,366	6,834,431
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>38,360,298</u>	<u>31,525,867</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 40,073,664</u></u>	<u><u>\$ 38,360,298</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members	\$ 29,094,661	\$ 29,787,930
Cash received (paid) from excess/aggregate insurance	(477,324)	1,434,131
Payments for claims	(9,134,958)	(10,075,155)
Payments for excess insurance	(13,424,733)	(8,285,921)
Payments for billings & RPA fund & UST refunds	(3,615,009)	(2,308,688)
Payments to vendors	(4,549,420)	(1,149,171)
Payments to employees	(4,153,911)	(3,622,122)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(6,260,694)	5,781,004
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(159,858)	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	3,381,339	3,892,820
Purchase of investments	(62,912,963)	(73,547,534)
Proceeds from maturities of investments	50,388,717	72,658,338
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(9,142,907)	3,003,624
Increase (decrease) in cash and cash equivalents	(15,563,459)	8,784,628
Cash and cash equivalents, beginning of year	42,211,725	33,427,097
Cash and cash equivalents, end of year	\$ 26,648,266	\$ 42,211,725
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (4,581,616)	\$ 5,264,578
Adjustments to net cash used by operating activities:		
Depreciation	57,051	88,865
Member premiums	130,377	24,176
Excess/aggregate insurance proceeds	(67,437)	1,378,112
Retrospective premium adjustment receivables	1,478,318	(728,982)
Other post employment benefits (OPEB)	(2,689,258)	0
Other	(7,693)	(7,289)
Prepays and other assets	(5,069,534)	240,053
Accounts payable	(465,586)	519,872
Accrued expenses	33,241	5,413
Unearned member premiums	511,049	(561,064)
Retrospective premium adjustment payables	2,131,056	1,394,995
Claim liabilities	2,279,338	(1,837,725)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (6,260,694)	\$ 5,781,004
<b>Non cash Items</b>		
Original OPEB accrual reversal	\$ 277,182	\$ 0
Liability aggregate recovery	88,462	0
Unrealized GASB 31 market adjustments	1,208,425	(2,373,039)

See accompanying notes to financial statements.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

(1) **General Information**

**Organization and Operations** – The Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) was created effective July 5, 1979, by a joint powers agreement among water member districts and agencies organized and operating under the laws of the State of California. ACWA/JPIA was organized pursuant to provisions of the California Government Code for the purpose of providing insurance coverage for its member districts.

ACWA/JPIA currently offers four joint protection programs:

- Public Auto and General Liability
- Workers' Compensation
- Property Insurance
- Underground Storage Tank Liability

The Utility Excess Liability (UTEL) Program was closed as of September 30, 1997, and is no longer available.

ACWA/JPIA also purchases group insurance for dam failure, pass through insurance (including employee fidelity bonding, difference in condition, boiler and machinery stand alone, and crime), and for the period of July 1, 1995 through June 30, 1998, workers' compensation for electing member districts.

ACWA/JPIA provides joint protection coverage for losses in excess of the member districts' individually specified self-insurance retention levels.

**Reporting Entity** – The reporting entity includes all activities (operations of the administrative staff, officers, executive board, and board of directors) as they relate to ACWA/JPIA considered to be part of (controlled by or dependent on) ACWA/JPIA. This includes financial activity relating to all of the membership years.

In determining its reporting entity, ACWA/JPIA considered all governmental units that were members since inception. The criteria did not require the inclusion of these entities in these financial statements principally because ACWA/JPIA does not exercise oversight responsibility over any members.

**Admission of Members** – ACWA/JPIA shall allow entry of new members into its joint protection programs only upon approval by the Board of Directors (the Board), or by the Executive Committee if specifically delegated such authority by resolution of the Board, which may impose such conditions or limitations upon such authority of the Executive Committee as the Board deems appropriate. New member districts shall be required to pay their share of the expenses as determined by the Executive Committee, including expenses necessary to analyze their loss data and determine their premiums.

**Withdrawal of Members** – Member entities may withdraw from any pooled joint protection program, after a three-year period commencing on the date of the member entity's entry into the pooled joint protection program, by providing written notice twelve months prior to the end of the policy year. In addition, no later than 90 days prior to the end of the policy year, any



**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

member giving the twelve month notice must make clear its final decision on withdrawal in clear, unambiguous form. Withdrawal from the program does not relieve the former member of any obligation assumed for the years of participation. Member entities may withdraw from any group purchase program at the conclusion of its policy year without being required to give twelve months written notice.

**(2) Significant Accounting Policies**

**Basis of Accounting** – The accounting records of ACWA/JPIA are kept on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989 are applied unless they conflict with GASB pronouncements. ACWA/JPIA has elected not to apply FASB statements issued subsequent to November 30, 1989.

**Insurance Coverage and Deductibles** – ACWA/JPIA provides the following major insurance coverage and deductibles:

- a) **Liability Program** – The Liability Program was established to account for the payment of liability claims and administrative costs. Funding is based upon rates established by ACWA/JPIA's Executive Committee. ACWA/JPIA administers claims in-house on behalf of participating members.

ACWA/JPIA provides the following insurance coverage and self-insured retention (SIR):

Member District Retrospective Allocation Point (RAP): \$2,500 to \$500,000

The SIRs for this program by year are as follows:

<u>Year</u>	<u>SIR Amount</u>
10/1/79 - 9/30/86	\$500,000
10/1/86 - 9/30/87	1,000,000
10/1/87 - 9/30/05	500,000
10/1/05 - 9/30/09	1,000,000

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

Excess of: \$1,000,000 to a total of \$60,000,000 coverage through various carriers. Policy Year: October 1 through September 30.

- b) Property Program** – The Property Program was established to account for the payment of property claims and administrative costs. Funding is based upon rates established by ACWA/JPIA's Executive Committee. ACWA/JPIA administers claims in-house on behalf of participating members.

ACWA/JPIA provides the following insurance coverage, deductibles and SIR:

Member District RAP: \$500 to \$25,000

The SIRs for this program by year are as follows:

<u>Year</u>	<u>SIR Amount</u>
1/1/83 - 3/31/85	Various
4/1/85 - 3/31/86	\$5,000
4/1/86 - 3/31/88	50,000
4/1/88 - 3/31/01	10,000
4/1/01 - 3/31/10	50,000

Excess of: \$50,000 up to a total of \$100,000,000 coverage with various sublimits through Chubb.

Policy Year: April 1 through March 31

- c) Workers' Compensation Program** – The Workers' Compensation Program was established to account for the payment of workers' compensation claims and administrative costs. Funding is based upon rates established by ACWA/JPIA's Executive Committee. ACWA/JPIA administers claims in-house on behalf of participating members.

ACWA/JPIA provides the following insurance coverage and SIR:

Member District RAP: \$250 to \$25,000

The SIRs for this program by year are as follows:

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

<u>Year</u>	<u>SIR Amount</u>
7/1/86 - 6/30/87	\$125,000
7/1/87 - 6/30/88	150,000
7/1/88 - 6/30/89	175,000
7/1/89 - 6/30/91	200,000
7/1/91 - 6/30/92	225,000
7/1/92 - 6/30/01*	250,000
7/1/01 - 6/30/02	350,000
7/1/02 - 6/30/03	650,000
7/1/03 - 6/30/10	2,000,000

Excess of: \$2,000,000 to statutory limits through ARCH.  
Policy Year: July 1 through June 30

\*From July 1, 1995 through June 30, 1998, the Workers' Compensation Program functioned as a group purchase program.

**Statements of Cash Flows** – With regards to the statements of cash flows, ACWA/JPIA considers cash in banks, all money market funds, cash in Capital Asset Management Program (CAMP) and Local Agency Investment Fund (LAIF) to be cash equivalents. Investments maturing within three months from date of purchase are also considered to be cash equivalents.

**Investments** in debt securities are recorded at fair value. For purposes of these financial statements, fair value is equivalent to investment market value at September 30, 2009 and 2008. Changes in the fair value of investments, both realized and unrealized, are included in the Statement of Revenues, Expenses, and Changes in Net Assets as a component of non-operating revenues.

**Prepaid Excess Insurance** – Expenses for the portions of excess insurance that extend into future accounting periods have been recorded as prepaid excess insurance.

**Capital Assets** – Capital assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of 3 years for computer equipment, 5 years for office equipment and building improvements, and 30 years for buildings. ACWA/JPIA uses a capitalization threshold of \$10,000 when determining capital asset additions.

**Unearned Member Premiums** – ACWA/JPIA bills its members in advance for certain of its programs. The amount billed represents unearned member premium revenue until earned.

**Claims Liabilities** – ACWA/JPIA establishes liabilities for claims 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

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

which such costs must be estimated varies depending on the coverage involved. 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 coverage such as general liability and workers' compensation. Claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation is implicit in the calculation of estimated future claims costs 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.

**Compensated Absences** – ACWA/JPIA's vacation policy provides for the accumulation of earned vacation leave with such leave being fully vested when earned. A liability for accrued vacation has been computed and recorded based on unused vacation days times the current rate of pay. As of September 30, 2009 and 2008, the accrued vacation was \$163,752 and \$149,113, respectively.

ACWA/JPIA's sick leave policy provides for accumulation of sick leave. Unused sick leave will not be paid if an employee is terminated, or voluntarily resigns prior to retirement from ACWA/JPIA.

At retirement, any unused sick leave will be converted to CalPERS service credit by number of days of ACWA/JPIA reported sick leave times .004.

**Claims Administration** – Prior to July 1, 1995, ACWA/JPIA self-insured workers compensation claims. Third party administrators handled these claims until January 1998, at which time the remaining open claims were brought in-house. For three years beginning July 1, 1995, ACWA/JPIA was fully insured for workers' compensation claims incurred during that time period. Then, effective July 1, 1998 to current, ACWA/JPIA once again began self-insuring and administering workers' compensation claims in-house. Claims for ACWA/JPIA's Liability and Property Programs are administered in-house.

**Unallocated Loss Adjustment Expenses** – Amounts have been estimated for the cost of administering current and future claims. An actuary in connection with other loss development information determined these amounts.

**Member Premiums** are calculated based upon each member district's respective payroll (or insured values for the Property Program) and loss history.

Member premiums are recognized as revenue over the periods covered by the policies. For the liability, property and workers' compensation policies, a retrospective premium adjustment for each policy year is made annually, starting four years after a program policy year begins.

**Operating and Non-operating Revenues** – Operating revenues include all program contributions, related fees and assessments that are integral to the financing of the insurance programs. Investment income is classified as non-operating revenue.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

**Allocation of Indirect Expenses** – Indirect expenses are allocated among insurance programs based on predefined formulas that approximate each programs' share.

**Income Taxes** – As a public agency under the State of California, ACWA/JPIA is exempt from federal and state income taxes under Internal Revenue Code Section 115 and California Revenue and Taxation Code Section 17131, respectively.

**(3) Cash and Investments**

Cash and investments as of September 30 are classified in the accompanying financial statements as follows:

	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and cash equivalents	\$ 26,648,266	\$ 42,211,725
Investments	36,313,569	18,875,154
Noncurrent Assets:		
Investments	<u>45,369,799</u>	<u>47,136,963</u>
Total cash and investments	<u>\$108,331,634</u>	<u>\$108,223,842</u>

Cash and investments as of September 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 200	\$ 200
Deposits with financial institutions	785,849	2,211,874
CAMP	17,401,330	0
LAIF	8,460,888	39,999,651
Investments	<u>81,683,367</u>	<u>66,012,117</u>
Total cash and investments	<u>\$108,331,634</u>	<u>\$108,223,842</u>

**Investments Authorized by ACWA/JPIA's Investment Policy** – The following table identifies the investment types authorized for ACWA/JPIA by the California Government Code Section 53601 (or ACWA/JPIA's investment policy where more restrictive). Also following are tables identifying certain provisions of the California Government Code (or ACWA/JPIA's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

<u>Authorized Investment Type</u>	<u>Maximum Maturity**</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Credit Quality</u>
U.S. Treasury Obligations	5 years	None	None	AA
U.S. Agency Securities***	5 years	50%	50%	AA
Bankers' Acceptances	180 days	20%	5%	A1
Commercial Paper	270 days	25%	5%	A1
Certificates of Deposit	5 years	30%	20%	Insured Inv. same as listed
Repurchase Agreements	92 days	20%	20%	
Medium-Term Notes	5 years	30%	5%	A
Mortgage Pass-through Securities****	5 years	20%	20%	AA
Local Government Investment Pools	N/A	50%	None	AA
Local Agency Investment Funds	N/A	50%	\$40 Million	N/A

\*\* The average life of the total portfolio at any time shall not exceed four years.

\*\*\* Restricted to FHLB, GNMA, FHLMC, FFCS and FNMA

\*\*\*\* Restricted to GNMA, FHLMC, FFCS and FNMA

**Concentration of Credit Risk** – The investment policy of ACWA/JPIA contains no limitations on the amount that can be invested in any one issuer other than that stipulated by the California Government Code. Investments at September 30 in any one issuer, other than U.S. Treasury Securities, LAIF and LGIP, that represent 5% or more of the total investments of ACWA/JPIA are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>2009</u>	<u>2008</u>
Federal Home Loan Bank	U.S. Agency Securities	\$16,485,715	\$21,978,334
Federal National Mortgage Corp	U.S. Agency Securities	16,113,339	8,985,000
Federal Home Loan Mortgage Corp	U.S. Agency Securities	13,503,133	-N/A-

**Custodial Credit Risk** – ACWA/JPIA maintains deposits with financial institutions in excess of federal depository insurance limits that are held in accounts that are collateralized with securities held by the financial institutions. Union Bank serves as the third party custodian for ACWA/JPIA.

**Disclosures Relating to Interest Rate Risk** is the possibility 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 value rates. As a means of highlighting exposure to interest rate risk, the market value of all securities is calculated monthly and reported quarterly to the two oversight committees of ACWA/JPIA for

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

investments. Investment market value and duration at September 30 are as follows:

<u>Authorized Investment Type</u>	<u>2009</u>	<u>Effective Duration</u>
U.S. Treasury Obligations	\$15,323,543	1.362
U.S. Agency Securities	46,081,972	1.186
Mortgage Pass-through Securities	20,926	0.780
Medium-Term Notes	14,942,926	1.110
Certificates of Deposit	5,314,000	0.562

<u>Authorized Investment Type</u>	<u>2008</u>	<u>Effective Duration</u>
U.S. Treasury Obligations	\$6,375,819	2.011
U.S. Agency Securities	34,964,414	1.386
Mortgage Pass-through Securities	44,582	1.195
Medium-Term Notes	23,380,303	1.397
Certificates of Deposit	1,246,999	0.607

**Disclosures Relating to Credit Risk** – Information about the risk that an issuer or other counterparty to an investment will not fulfill its obligations is provided by the following tables:

<u>Authorized Investment</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA/AAAm</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
As of September 30, 2009						
Cash	\$ 200	\$ 200	\$ 0	\$ 0	\$ 0	\$ 0
Deposits w/ Financial Institutions	785,849					785,849
CD's	5,314,000					5,314,000
CAMP	17,401,330		17,401,330			
LAIF	8,460,888					8,460,888
U.S. Treasury	15,323,543	15,323,543				
U.S. Agency Securities	46,081,972		46,081,972			
Mortgage Pass thru Securities	20,926		20,926			
Medium-Term Notes	14,942,926			12,441,079	2,501,847	
<b>Totals</b>	<b>\$108,331,634</b>	<b>\$15,323,743</b>	<b>\$63,504,228</b>	<b>\$12,441,079</b>	<b>\$2,501,847</b>	<b>\$14,560,737</b>

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

<u>Authorized Investment</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA/AAAm</u>	<u>AA&amp;A</u>	<u>BBB</u>	<u>Not Rated</u>
As of September 30, 2008						
Cash	\$ 200	\$ 200	\$ 0	\$ 0	\$ 0	\$ 0
Deposits w/ Financial Institutions	2,211,874					2,211,874
CD's	1,246,999					1,246,999
LAIF	39,999,651					39,999,651
U.S. Treasury	6,375,819	6,375,819				
U.S Agency Securities	34,964,414		34,964,414			
Mortgage Pass through Securities	44,582		769			43,813
Medium-Term Notes	<u>23,380,303</u>		<u>3,814,433</u>	<u>18,144,670</u>	<u>1,421,200</u>	
Totals	<u>\$108,223,842</u>	<u>\$6,376,019</u>	<u>\$38,779,616</u>	<u>\$18,144,670</u>	<u>\$1,421,200</u>	<u>\$43,502,337</u>

\*Only the medium-term notes have a minimum legal rating

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

**Local Government Investment Pools** – ACWA/JPIA is a participant in the Capital Asset Management Program (CAMP) which invests available cash under California Government Code Section 53601 and 53635. CAMP is a joint powers authority organized under California law and is managed by participant elected trustees. The fair value of ACWA/JPIA's investment in this pool is reported in the accompanying financial statements at amounts based upon ACWA/JPIA's pro-rata share of the fair value. Financial information can be obtained from 50 California Street, Suite 2300, San Francisco, CA 94111.



**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

**(4) Capital Assets**

The following is a schedule of changes in capital assets for the years ended September 30:

	<u>9/30/2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2009</u>
Non-depreciable Assets:				
Land	\$ 283,696	\$ 0	\$ 0	\$ 283,696
Undeveloped Building	<u>0</u>	<u>159,858</u>	<u>          </u>	<u>159,858</u>
Total Non-depreciable Assets:	<u>283,696</u>	<u>159,858</u>	<u>0</u>	<u>443,554</u>
Depreciable Assets:				
Building & Tenant Improvements	1,277,039	<u>          </u>	<u>          </u>	1,277,039
Furniture & Equipment	111,877	<u>          </u>	<u>          </u>	111,877
Software	<u>306,191</u>	<u>          </u>	<u>          </u>	<u>306,191</u>
Total Depreciable Assets	<u>1,695,107</u>	<u>0</u>	<u>0</u>	<u>1,695,107</u>
Less Accumulated Depreciation:				
Building & Tenant Improvements	(747,908)	(38,127)	<u>          </u>	(786,035)
Furniture & Equipment	(71,409)	(8,562)	<u>          </u>	(79,971)
Software	<u>(284,151)</u>	<u>(10,362)</u>	<u>          </u>	<u>(294,513)</u>
Total Accumulated Depreciation	<u>(1,103,468)</u>	<u>(57,051)</u>	<u>0</u>	<u>(1,160,519)</u>
Net Land, Building, & Equipment	<u>\$ 875,335</u>	<u>\$102,807</u>	<u>\$ 0</u>	<u>\$ 978,142</u>

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

	<u>9/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2008</u>
Land	\$ 283,696	\$ 0	\$ 0	\$ 283,696
Depreciable Assets:				
Building & Tenant Improvements	1,277,039			1,227,039
Furniture & Equipment	111,877			111,877
Software	306,191			306,191
Total Depreciable Assets	<u>1,695,107</u>	<u>0</u>	<u>0</u>	<u>1,695,107</u>
Less Accumulated Depreciation:				
Building & Tenant Improvements	(709,781)	(38,127)		(747,908)
Furniture & Equipment	(62,847)	(8,562)		(71,409)
Software	(241,975)	(42,176)		(284,151)
Total Accumulated Depreciation	<u>(1,014,603)</u>	<u>(88,865)</u>	<u>0</u>	<u>(1,103,468)</u>
Capital assets, net	<u>\$ 964,200</u>	<u>\$(88,865)</u>	<u>\$ 0</u>	<u>\$ 875,335</u>

**Undeveloped Building** – On August 25, 2009 ACWA/JPIA agreed to purchase a building located in Roseville, California. Subsequently on November 18, 2009 after completing due diligence, ACWA/JPIA closed escrow to purchase this building for \$2,780,000. During fiscal year 2010 ACWA/JPIA intends to move its office to the new locations. Currently the premises are under planning to ready it for ACWA/JPIA's use. Costs related to prepare this building for its intended use have been capitalized as "Undeveloped building". Once the facility is placed in operation it will be depreciated over 30 years.

**(5) Excess Insurance and Reinsurance**

ACWA/JPIA purchases specific occurrence excess insurance from commercial excess carriers, reinsurance carriers, or other pooling agencies for the liability, workers' compensation, and property programs. The specific excess insurance provides coverage for losses related to individual occurrences above the corresponding policy year's specified self-insured retention (SIR) and is limited to that policy year's specific excess coverage limit. Additionally, for liability program policy years 1983-84 through 1986-87 and 1991-92 through 2004-05, ACWA/JPIA purchased aggregate excess insurance that provides coverage for losses, net of specific excess insurance recoveries, to the extent that the net losses exceed the policy year's specified aggregate attachment point. The aggregate excess coverage is limited to the amounts by policy year.

Reinsurance contracts do not relieve ACWA/JPIA from its obligations to policyholders. Failure of these reinsurers to honor their obligations could result in losses to ACWA/JPIA. Any amounts deemed uncollectible from reinsurers have been written off. ACWA/JPIA evaluated the fiscal condition of its reinsurers to minimize exposure to significant losses for insolvencies.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

Currently the Liability Program Policy Year 2004-2005 has a receivable of \$88,462 as of September 30, 2009.

**(6) Reconciliation of Claims Liabilities**

The following represents changes in the aggregate liabilities for all programs during the past year:

September 30:	<u>2009</u>	<u>2008</u>
Discounted Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$30,661,414	\$32,499,140
Incurring Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Fiscal Year	13,306,076	11,032,465
Decrease in Provision of Insured Events of Prior Fiscal Years	<u>(1,891,781)</u>	<u>(2,795,036)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>11,414,295</u>	<u>8,237,429</u>
PAYMENTS:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	2,465,121	2,293,447
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	<u>6,669,837</u>	<u>7,781,708</u>
Total Payments	<u>9,134,958</u>	<u>10,075,155</u>
Discounted Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	<u>\$32,940,751</u>	<u>\$30,661,414</u>
COMPONENTS:		
Provision for Claims (Current)	\$ 9,580,658	\$10,255,706
Claims Reserves	3,904,373	1,984,280
Claims Incurred But Not Reported	17,404,117	16,433,614
Unallocated Loss Adjustment Liability	<u>2,051,603</u>	<u>1,987,814</u>
Total Claims Liability	<u>\$32,940,751</u>	<u>\$30,661,414</u>

At September 30, 2009, unpaid losses of \$35,487,640 are presented at their net present value of \$32,940,751. These losses are discounted at a rate of 3%.

At September 30, 2008, unpaid losses of \$33,364,104 are presented at their net present value of \$30,661,414. These losses are discounted at a rate of 3%.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

**(7) Retrospective Premium Adjustments**

Retrospective premium adjustments are determined for each policy year as the sum of the following:

- a) Direct charge for the portion of each loss incurred within the member's allocation level.
- b) Losses in excess of a member's allocation level are shared by the members in the same and greater allocation levels, based on each member's premiums as a percentage of all members' premiums in each allocation level.
- c) Other costs, net of investment income, including unallocated claims expense, excess insurance premiums, and administrative expense are charged to each member, based on premiums.
- d) The allocation for contributions to that portion of designated equity designated for catastrophic losses and the reserve for claims incurred but not reported is based on each member's premiums as a percentage of all members' premiums.

The retrospective premium adjustments (RPA) for all applicable policy years have been estimated based on losses and other costs, net of investment income, incurred through September 30, 2009 and 2008. RPAs are subject to change as the ultimate cost of claims becomes known, investment income is realized, and ACWA/JPIA's indirect costs are allocated to each policy year.

The initial RPA is made at the end of the fourth full year of operations of each program of ACWA/JPIA. After that, RPAs represent annual cumulative adjustments to the original premiums (net of prior RPAs, if any) previously billed and held at ACWA/JPIA. Although accrued RPA payables to and receivables from program members are calculated monthly, the accrual billing/refunding process takes place only once per year. RPAs are calculated separately for each policy and program year.

Beginning with the 1998-99 fiscal year, ACWA/JPIA established an RPA Stabilization Fund for the Liability Program to help stabilize future RPAs. ACWA/JPIA maintains a separate RPA Stabilization Fund for each member and future RPAs are to flow through the member's individual RPA Stabilization Fund. When the balance of a member's fund exceeds 60% of the current year's basic liability premium, the difference will be refunded to the member. During the 2002-03 fiscal year the RPA Stabilization Fund was expanded to include the Property and Workers' Compensation pooled Programs.

**(8) Operating Leases**

ACWA/JPIA purchased a building in 1992-93 and moved its offices to this building in the 1993-94 year. Additional space in this building is being leased out under separate operating leases. Total gross rental income received during the years ended September 30, 2009 and 2008 was \$77,497 and \$77,497, respectively.

Minimum future rentals to be received under these leases as of September 30, 2009 are \$30,290 for the year ending 2010 and \$15,145 for the year ending 2011.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

**(9) Net Assets Designations**

There are three categories that make up net assets: the Catastrophic Reserve (CAT) Fund, Self Insured Excess Fund, and the RPA Stabilization Fund. The CAT Fund is established to protect members from excessive losses, shared by all members in a given policy year. Contributions to the CAT Fund are currently calculated as 10% of premiums earned for the Liability, Workers' Compensation, and Underground Storage Tank Programs. The Self Insured Excess Fund is established to minimize the costs of the Liability and Workers' Compensation excess insurance. The RPA Stabilization Fund is established to minimize excessive RPA's for prior policy years. The ACWA/JPIA eliminated the Post Retirement Benefit Fund during fiscal year 2009 as part of the implementation of GASB Statement No. 45.

Net assets are designated in the following manner:

September 30:	<u>2009</u>	<u>2008</u>
Catastrophic Reserve (CAT) Fund	\$28,334,020	\$27,543,777
Self Insured Excess Fund	2,180,773	2,604,153
RPA Stabilization Fund	9,558,871	7,935,186
Post Retirement Benefit Fund	<u>0</u>	<u>277,182</u>
Net Assets	<u>\$40,073,664</u>	<u>\$38,360,298</u>

**(10) Joint Venture**

ACWA/JPIA participated in a joint venture under a joint powers agreement with Local Agency Workers' Compensation Excess (LAWCX) during the fiscal years 1992-1993; 1993-1994; and 1994-1995. The relationship between ACWA/JPIA and LAWCX is such that LAWCX is not a component unit of ACWA/JPIA for financial reporting purposes.

LAWCX arranges for and provides excess Workers' Compensation coverage for its members. A board consisting of a representative from each member agency governs LAWCX. The board controls the operations of LAWCX, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member agency pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in LAWCX.

LAWCX prepares separate annual financial statements, which may be obtained from Bickmore Risk Services, Inc., 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**(11) Pension Plan**

**Plan Description** - ACWA/JPIA's defined benefit pension plan, the Miscellaneous Plan of ACWA/JPIA, provides retirement (2% at age 60) and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of ACWA/JPIA is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. ACWA/JPIA selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through board approval. ACWA/JPIA's additionally elected benefits are the highest 12 months of pay for the final compensation, post retirement survivor, improved non-industrial disability allowance, and fourth level 1959 survivor benefits. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

**Funding Policy** - Active plan members in the Miscellaneous Plan of ACWA/JPIA are required to contribute 7% of their annual covered salary. ACWA/JPIA is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the period of 10/01/08 through 6/30/09 was 10.641%. Beginning 7/1/2009, with board approval, the prepayment of \$461,840 for ACWA/JPIA's Side Fund was paid to CalPERS. This reduced the rate from the original rate of 10.107% by 1.826% for a final rate of 8.281%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Beginning in fiscal year 1998-99, ACWA/JPIA also pays the employees' portion of their CalPERS salary reduction, provided the employee has been employed for five years or more. For ACWA/JPIA fiscal years 2009 and 2008, the contribution for the employees' portion of CalPERS amounted to \$143,711 and \$133,844, respectively.

**Annual Pension Cost** - For fiscal year 2008-2009, ACWA/JPIA's annual pension cost and contribution was \$274,528. For fiscal year 2007-2008, ACWA/JPIA's annual pension cost and contribution was \$283,323. ACWA/JPIA's covered payroll for PERS was \$2,715,061 and \$2,585,682 for the years ended September 30, 2009 and 2008, respectively. The required contribution for fiscal year 2008-2009 was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25 to 14.45% for miscellaneous members, (c) an inflation component of 3.0% and payroll growth of 3.25%. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. The actuarial value of the Miscellaneous Plan of ACWA/JPIA was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. For each of the fiscal years shown below, ACWA/JPIA contributed at the actuarially determined rate provided by CalPERS actuaries.

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$277,714	100.00%	\$0
6/30/2008	\$283,323	100.00%	\$0
6/30/2009	\$274,528	100.00%	\$0

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As required by State law effective July 1, 2005, the Authority's Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pool is shown below:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
6/30/2004	\$437,494,341	\$428,025,075	\$ 9,469,266	97.8%	\$159,135,314	6.0%
6/30/2005	\$484,351,523	\$459,996,995	\$24,354,528	95.0%	\$174,127,476	14.0%
6/30/2006	\$478,122,215	\$454,602,459	\$23,519,756	95.1%	\$170,458,082	13.8%
6/30/2007	\$498,934,859	\$479,520,670	\$19,414,189	96.1%	\$171,052,819	11.4%
6/30/2008	\$532,483,463	\$513,147,099	\$19,336,364	96.4%	\$183,387,608	10.5%

**(12) Retiree Medical Benefits**

During fiscal year 2008-09, ACWA/JPIA implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below.

ACWA/JPIA employees who retire at age 55 or older with a minimum of ten years of service with the organization are eligible to receive lifetime medical benefits. Benefits are also provided to spouses and surviving spouses of participating retirees. As of September 30, 2009, there were seven participants receiving these health care benefits. ACWA/JPIA contributes 100% of the cost of coverage for employees who retire with age plus years of service equal to 75 or more. The amount of benefit a retiree receives is based on the following schedule:

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008**

Age + Years of Service	65	66	67	68	69	70	71	72	73	74	75+
Percentage of Premium	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%

During fiscal year 2008-09, ACWA/JPIA joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CalPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

**Funding Policy and Actuarial Assumptions** - ACWA/JPIA's policy is to prefund these benefits by accumulating assets with CERBT discussed above pursuant to the ACWA/JPIA's Executive Committee approval in March 2009. The annual required contribution (ARC) was determined as part of an October 1, 2008 actuarial valuation using the entry age normal cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health care cost trend rates from 5.5% to 8.2%. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least triennially as results are compared to past expectations and new estimates are made about the future. The ACWA/JPIA's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis. The study indicates that as of October 1, 2008, the actuarial accrued liability was estimated to be \$2,965,074.

**Funding Progress and Funded Status** - Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year 2008-09, ACWA/JPIA contributed \$3,027,459 to the Plan, including \$62,385 for pay-as-you-go premiums. As a result, ACWA/JPIA has calculated and recorded the Net OPEB Asset, representing the difference between the ARC, amortization and contributions, as presented below:



**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

Annual required contribution	\$ 338,201
Annual OPEB cost	338,201
Contributions made	<u>(3,027,459)</u>
Decrease in net OPEB obligations	(2,689,258)
Net OPEB asset September 30, 2008	<u>0</u>
Net OPEB asset September 30, 2009	<u>\$(2,689,258)</u>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated October 1, 2008, amounted to \$2,965,074. The AAL is partially funded since assets have been transferred into CERBT. ACWA/JPIA's current year prefunding contribution, along with investment income net of current year premiums resulted in assets with CERBT of \$2,626,873 plus the current fiscal year's uncollected retiree medical payments of \$62,385 equals the adjusted Net OPEB balance of \$2,689,258 as of September 30, 2009.

The Plan's annual required contributions and actual contributions for the fiscal year ended September 30, 2009 are set forth as follows:

<u>Fiscal Year</u>	<u>OPEB Annual Cost</u>	<u>Actual Contribution</u>	<u>Percentage of annual OPEB cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
09/30/2009	\$338,201	\$3,027,459	877%	(\$2,689,258)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Contributions to the CERBT did not begin until April 2009, thus these assets were excluded from the October 1, 2008 actuarial study. Trend data from the October 1, 2008 actuarial study is presented following:

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS  
Years Ended September 30, 2009 and 2008

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
10/1/2008	\$0	\$2,965,074	\$2,965,074	0.00%	\$2,715,061	\$0

**(13) Deferred Compensation Plan**

ACWA/JPIA employees may defer a portion of their compensation under an employer sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by ING Direct. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not ACWA/JPIA's property and are not subject to its control, they have been excluded from these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT  
SEPTEMBER 30, 2009

	Liability Program	Property Program	Workers' Compensation Program	Underground Storage Tank Program	Total
Unpaid Claims and Claim Adjustment at Beginning of the Fiscal Year:	\$ 12,846,428	\$ 409,632	\$ 17,402,354	\$ 3,000	\$ 30,661,414
Incurring Claims and Allocated Claim Adjustment Expense: Provisions for Insured Events of the Current Fiscal Year	8,354,748	564,493	4,386,835	0	13,306,076
Decrease in Provision for Incurred Events of Prior Fiscal Years	<u>(1,042,723)</u>	<u>(860)</u>	<u>(845,198)</u>	<u>(3,000)</u>	<u>(1,891,781)</u>
Total Incurred Claims and Allocated Claim Adjustment Expenses:	7,312,025	563,633	3,541,637	(3,000)	11,414,295
Payments:					
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	1,194,315	290,830	979,976		2,465,121
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	<u>4,424,682</u>	<u>235,073</u>	<u>2,010,082</u>		<u>6,669,837</u>
Total Payments:	5,618,997	525,903	2,990,058	0	9,134,958
Discounted Unpaid Claims and Allocated Claim Adjustment Expense at the End of the Fiscal Year:	<u>\$ 14,539,456</u>	<u>\$ 447,362</u>	<u>\$ 17,953,933</u>	<u>\$ 0</u>	<u>\$ 32,940,751</u>
Components:					
Provision for Claims (Current)	\$ 5,445,904	\$ 415,754	\$ 3,719,000	\$ 0	\$ 9,580,658
Claims Reserve	2,499,780	0	1,404,593	0	3,904,373
Claims IBNR	6,270,230	0	11,133,887	0	17,404,117
Unallocated Loss Adjustment Liability	323,542	31,608	1,696,453	0	2,051,603
Total Claims Liability	<u>\$ 14,539,456</u>	<u>\$ 447,362</u>	<u>\$ 17,953,933</u>	<u>\$ 0</u>	<u>\$ 32,940,751</u>

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF SEPTEMBER 30, 2009

LIABILITY PROGRAM

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
1. Required contribution and investment revenue:										
Earned	\$ 12,574,680	\$ 12,480,672	\$ 14,008,771	\$ 14,125,260	\$ 16,003,766	\$ 15,853,866	\$ 19,035,212	\$ 18,294,987	\$ 19,037,345	\$ 18,128,390
Ceded	2,667,217	2,680,864	2,739,110	2,872,366	4,750,754	4,747,844	4,376,544	4,468,104	4,926,828	4,906,389
Net earned	9,907,463	9,799,808	11,269,661	11,252,894	11,253,012	11,106,021	14,658,668	13,826,883	14,110,517	13,222,001
2. Unallocated expenses	1,700,986	1,829,233	1,688,977	1,605,061	1,820,558	1,526,804	1,774,693	1,367,008	1,298,719	806,753
3. Estimated claims and expenses end of policy year:										
Incurred	6,662,881	7,584,866	8,465,888	8,391,405	8,396,259	6,580,599	8,598,359	7,700,683	7,600,857	8,977,902
Ceded	1,244,000	1,700,000	1,720,000	900,000	1,610,000	1,800,000	935,920	1,073,855	1,159,832	800,459
Net incurred	5,418,881	5,884,866	6,745,888	7,491,405	6,786,259	4,780,599	7,662,439	6,626,828	6,441,025	8,177,443
4. Net paid (cumulative) as of :										
End of policy year	642,638	832,786	1,278,746	1,709,154	1,087,659	1,150,852	1,434,048	1,434,048	1,095,952	1,194,315
One year later	1,761,754	2,277,661	2,951,197	3,248,602	2,134,925	3,320,294	3,786,406	4,053,763	1,853,377	
Two years later	2,881,008	3,049,646	3,905,064	4,189,403	3,135,250	6,323,408	5,169,466	5,647,981		
Three years later	3,552,097	3,509,838	4,274,702	4,737,111	3,309,064	7,549,628	6,106,886			
Four years later	3,574,910	3,792,167	4,543,021	4,665,109	3,378,616	8,610,027				
Five years later	3,620,378	3,802,397	4,664,781	4,696,129	3,445,784					
Six years later	3,634,145	3,731,970	4,513,254	4,704,177						
Seven years later	3,652,527	3,732,965	4,513,254							
Eight years later	3,652,785	3,732,970								
Nine years later	3,652,785									
5. Reestimated ceded claims and expenses:	0	0	293,000	267,480	2,720,000	8,150,000	208,178	390,114	1,023,134	800,459
6. Reestimated net incurred claims and expenses:										
End of policy year	5,418,881	5,884,866	6,745,888	7,491,405	6,786,259	4,780,599	7,662,439	6,626,828	6,441,025	8,177,443
One year later	5,662,384	5,844,086	6,475,072	6,424,459	4,317,541	7,032,978	8,550,714	6,979,182	4,525,102	
Two years later	4,849,484	5,505,302	5,684,445	6,713,038	3,734,454	8,681,737	7,252,155	7,502,499		
Three years later	5,028,988	3,987,350	5,337,142	5,683,335	3,690,755	8,981,147	7,763,514			
Four years later	3,918,095	4,271,708	5,351,040	5,067,906	3,750,846	9,285,468				
Five years later	3,643,551	3,980,621	4,954,130	5,093,943						
Six years later	3,745,250	3,815,514	4,513,254	4,833,230						
Seven years later	3,652,527	3,732,965	4,513,254							
Eight years later	3,652,785	3,732,972								
Nine years later	3,660,000									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	<u>\$ (1,758,881)</u>	<u>\$ (2,151,894)</u>	<u>\$ (2,232,634)</u>	<u>\$ (2,658,175)</u>	<u>\$ (3,190,732)</u>	<u>\$ 4,504,869</u>	<u>\$ 101,075</u>	<u>\$ 875,671</u>	<u>\$ (1,915,923)</u>	<u>\$ 0</u>

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF SEPTEMBER 30, 2009

PROPERTY PROGRAM

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
1. Required contribution and investment revenue:										
Earned	\$ 1,907,998	\$ 1,947,752	\$ 2,152,367	\$ 2,588,734	\$ 2,793,933	\$ 2,948,411	\$ 3,346,892	\$ 3,625,759	\$ 4,162,631	\$ 3,897,216
Ceded	801,838	865,070	1,121,271	1,432,322	1,798,042	1,867,051	1,826,508	2,004,909	2,227,970	2,251,354
Net earned	<u>1,106,160</u>	<u>1,082,682</u>	<u>1,031,096</u>	<u>1,156,412</u>	<u>995,891</u>	<u>1,081,360</u>	<u>1,520,384</u>	<u>1,620,850</u>	<u>1,934,661</u>	<u>1,645,862</u>
2. Unallocated expenses	318,304	295,242	303,945	327,383	364,468	366,830	370,365	395,425	78,353	90,619
3. Estimated claims and expenses end of policy year:										
Incurred	860,143	749,533	652,109	1,251,842	1,134,940	1,939,157	1,589,407	1,898,330	2,332,725	2,221,251
Ceded	511,000	407,101	361,120	531,000	428,512	525,942	672,468	703,289	1,065,112	1,667,792
Net incurred	<u>349,143</u>	<u>342,432</u>	<u>290,989</u>	<u>720,842</u>	<u>706,428</u>	<u>1,413,215</u>	<u>916,939</u>	<u>1,195,041</u>	<u>1,267,613</u>	<u>553,459</u>
4. Net paid (cumulative) as of :										
End of policy year	180,102	176,025	281,168	572,975	588,256	724,302	617,464	813,264	800,917	464,893
One year later	203,390	232,900	284,612	602,278	586,837	680,147	562,783	648,592	682,101	
Two years later	203,390	232,900	284,612	602,278	611,837	679,872	562,783	731,532		
Three years later	203,390	232,900	284,612	599,478	611,837	679,747	549,471			
Four years later	203,390	232,900	284,612	599,478	611,837	679,472				
Five years later	203,390	232,900	284,612	599,478	611,837					
Six years later	203,390	232,900	284,612	590,728						
Seven years later	203,390	232,900								
Eight years later	203,390									
Nine years later	203,390									
5. Reestimated ceded claims and expenses:	417,815	970,299	143,091	1,475,294	962,625	616,126	414,481	1,883,996	1,382,835	264,077
6. Reestimated net incurred claims and expenses:										
End of policy year	349,143	342,432	290,989	720,842	706,428	1,413,215	916,939	1,195,041	1,267,613	553,459
One year later	313,751	232,900	284,612	602,280	634,444	698,855	562,783	690,516	682,301	
Two years later	203,392	232,900	284,612	602,328	636,837	679,872	562,783	734,009		
Three years later	203,390	232,900	284,612	599,478	611,838	679,748	549,472			
Four years later	203,390	232,900	284,612	599,478	611,837	679,473				
Five years later	203,390	232,900	284,612	599,478	611,837					
Six years later	203,390	232,900	284,612	590,728						
Seven years later	203,390	232,900								
Eight years later	203,390	232,900								
Nine years later	203,390	232,900								
7. (Decrease) in estimated incurred claims and expense from end of policy year	<u>\$ (145,753)</u>	<u>\$ (109,532)</u>	<u>\$ (6,377)</u>	<u>\$ (130,114)</u>	<u>\$ (94,591)</u>	<u>\$ (733,742)</u>	<u>\$ (367,467)</u>	<u>\$ (461,032)</u>	<u>\$ (585,312)</u>	<u>\$ 0</u>

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF SEPTEMBER 30, 2009

WORKERS' COMPENSATION PROGRAM

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
1. Required contribution and investment revenue:										
Earned	\$ 3,553,634	\$ 4,165,603	\$ 5,743,804	\$ 9,719,164	\$ 14,737,748	\$ 17,778,341	\$ 17,678,053	\$ 15,330,509	\$ 11,836,579	\$ 9,478,316
Ceded	94,805	75,377	193,270	705,711	723,416	811,186	709,319	798,028	691,916	494,603
Net earned	3,458,829	4,090,226	5,550,534	9,013,453	14,014,332	16,967,155	16,968,734	14,532,481	11,144,663	8,983,713
2. Unallocated expenses:	1,075,768	1,319,965	2,014,821	2,821,961	3,261,801	3,115,315	3,404,087	1,778,652	1,420,369	911,759
3. Estimated claims and expenses end of policy year:										
Incurred	2,779,136	3,830,583	4,649,293	7,189,200	9,007,011	11,930,997	7,906,844	6,268,068	5,857,450	4,888,910
Ceded	445,000	424,000	795,000	585,000	150,000	450,000	600,000	0	0	0
Net incurred	2,334,136	3,406,583	3,854,293	6,604,200	8,857,011	11,480,997	7,306,844	6,268,068	5,857,450	4,888,910
4. Net paid (cumulative) as of :										
End of policy year	470,995	1,213,421	843,625	1,120,410	1,107,202	911,448	693,346	933,153	1,074,127	1,285,587
One year later	1,143,094	2,105,182	1,753,577	2,311,967	1,920,217	1,422,036	1,037,637	1,405,383	1,673,630	
Two years later	1,520,449	3,074,918	2,477,516	2,974,796	2,465,404	2,167,424	1,401,183	1,595,606		
Three years later	1,865,654	3,484,000	2,754,554	3,277,992	2,782,903	2,728,731	1,676,493			
Four years later	2,053,053	3,775,581	2,877,988	3,459,926	2,955,704	2,856,007				
Five years later	2,148,462	3,867,435	2,992,655	3,705,963	3,060,551					
Six years later	2,201,591	3,916,301	3,115,370	3,800,150						
Seven years later	2,526,976	3,981,579	3,252,765							
Eight years later	2,244,961	4,034,124								
Nine years later	2,250,979									
5. Reestimated ceded claims and expenses:	599,576	2,060,901	44,343	46,095	1,286	2,932	70	3,734	10,894	9,668
6. Reestimated net incurred claims and expenses:										
End of policy year	2,334,136	3,406,583	3,854,293	6,604,200	8,857,011	11,480,997	7,306,844	6,268,068	5,857,450	4,888,910
One year later	2,411,395	4,243,754	4,910,848	7,664,189	8,857,011	5,510,957	3,960,203	3,826,938	4,491,065	
Two years later	2,590,301	5,414,281	5,206,775	6,776,650	5,770,975	4,582,367	3,967,718	3,674,253		
Three years later	2,818,242	5,391,023	4,839,085	5,417,550	5,040,683	4,339,313	3,606,324			
Four years later	2,743,757	5,279,847	4,153,090	4,865,364	4,372,382	3,987,428				
Five years later	2,783,159	4,957,618	3,804,696	4,659,668	4,116,532					
Six years later	2,663,798	4,710,328	3,837,787	4,451,602						
Seven years later	2,526,976	4,663,591	3,825,180							
Eight years later	2,437,361	4,630,671								
Nine years later	2,414,468									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	\$ 80,332	\$ 1,224,088	\$ (29,113)	\$ (2,152,598)	\$ (4,740,479)	\$ (7,493,570)	\$ (3,700,520)	\$ (2,593,815)	\$ (1,366,386)	\$ 0

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

Notes to Required Supplementary Information  
Year Ended September 30, 2009

(1) **Reconciliation of Claims Liabilities by Type of Contract**

These schedules represent the changes in claims liabilities in the past year for the liability, property, and workers' compensation programs.

(2) **Claims Development Information**

The table illustrates how earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses as of the end of each of the past ten 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 including overhead and claims expense not allocable to individual claims.
3. This line shows the gross incurred claims and allocated claim adjustment expense (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.
4. This section of ten rows shows the cumulative net amounts paid as of the net 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 shows the annually re-estimated results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

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



**SUPPLEMENTARY INFORMATION**

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM  
CUMULATIVE FROM INCEPTION THROUGH SEPTEMBER 30, 2009

	LIABILITY	DAM FAILURE	PROPERTY	PASS - THROUGHGS	WORKERS' COMP	STORAGE TANKS	UTEL	TOTALS
<b>REVENUE:</b>								
Deposit Premiums Earned	\$ 277,148,165	\$ 10,195,368	\$ 48,972,122	\$ 4,712,002	\$ 118,505,476	\$ 1,164,529	\$ 357,585	\$ 461,055,247
Net Investment & Other Income	38,415,827		2,715,766		11,415,912	212,258	71,747	52,831,510
Less: Doubtful Recoveries	(1,789,128)				(3,000)			(1,792,128)
<b>Total Revenue</b>	<b>313,774,864</b>	<b>10,195,368</b>	<b>51,687,888</b>	<b>4,712,002</b>	<b>129,918,388</b>	<b>1,376,787</b>	<b>429,332</b>	<b>512,094,629</b>
<b>EXPENSES:</b>								
Paid Claims - JPIA - Primary	118,357,028	0	7,855,841	0	38,019,366	28,119	256,404	164,516,758
Expected Excess Insur.Recoveries	(1,864,239)							(1,864,239)
Claims Reserves - Primary	7,945,686		211,516		5,123,594			13,280,796
Reserves for IBNR - Primary	6,270,230		204,238		11,133,886			17,608,354
Unallocated Loss Adj. Expense	323,542		31,608		1,696,453			2,051,603
Claims Expense Sub-Total	131,032,247	0	8,303,203	0	55,973,299	28,119	256,404	195,593,272
Purchased Excess Insurance	81,043,145	10,085,433	24,285,057	4,386,758	12,187,040	539,495	200,716	132,727,644
General & Administrative Expenses	41,819,542	109,935	6,510,334	325,244	25,256,620	61,825	30,417	74,113,917
Total Expenses	253,894,934	10,195,368	39,098,594	4,712,002	93,416,959	629,439	487,537	402,434,833
Catastrophic Fund Contributions	28,610,775				10,402,731	116,446	35,759	39,165,711
Self Insured Excess Fund	477,686				1,703,088			2,180,774
Catastrophic Fund Refunds	(680,806)				(169,079)			(849,885)
<b>EXCESS REVENUE OVER EXPENSES</b>								
Retro Prem Adj (Due From Member)	\$ 31,472,274	\$ 0	\$ 12,589,294	\$ 0	\$ 24,564,690	\$ 630,902	\$ (93,964)	\$ 69,163,196

**STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the Association of California Water Agencies Joint Powers Insurance Authority's (ACWA/JPIA) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about ACWA/JPIA's overall financial health.

### Financial Trends

These schedules contain trend information to help the reader understand how ACWA/JPIA's financial performance and well-being have changed over time. They show how revenues and expenses have developed over years. They show how the Net Assets have increased.

	<u>Page</u>
Statements of Net Assets.....	41
Statements of Revenues, Expenses and Changes in Net Assets.....	42
Revenues by Program.....	43
Expenses by Program .....	44
Schedule of Rate Stabilization Fund Activity.....	45

### Demographic and Economic Information

These schedules offer demographic and economic information indicators to help the reader understand the environment with ACWA/JPIA's financial activities take place. The number of liability, property and workers' compensation claims is an indicator of the claims expenses. Payrolls for liability and workers' compensation, together with claims experience are an indicator for premium revenues. Property values are indicators for property premiums.

	<u>Page</u>
Economic Statistics.....	46
Covered Payrolls/Property Values.....	47

Schedules showing trends for property tax rates and revenues along with corresponding assessed valuations are not presented since ACWA/JPIA does not levy such taxes.

Schedules showing bonded debt and related legal debt ratios are also not applicable.

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

STATEMENTS OF NET ASSETS

Last Eight Fiscal Years

	Fiscal Year September 30,							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Assets</b>								
Current assets	\$ 45,756,982	\$ 53,332,190	\$ 36,935,218	\$ 32,566,115	\$ 75,048,968	\$ 90,677,479	\$ 69,852,266	\$ 74,941,366
Noncurrent assets	16,791,345	20,551,594	46,356,900	59,091,461	27,167,262	20,799,234	48,012,298	49,125,661
<b>TOTAL ASSETS</b>	<b>62,548,327</b>	<b>73,883,784</b>	<b>83,292,118</b>	<b>91,657,576</b>	<b>102,216,230</b>	<b>111,476,713</b>	<b>117,864,564</b>	<b>124,067,027</b>
<b>Liabilities</b>								
Current liabilities	27,080,141	29,208,311	29,646,838	36,876,348	29,496,534	36,651,610	35,783,642	38,564,342
Noncurrent liabilities	18,096,555	24,838,629	32,432,476	29,753,515	43,852,343	43,299,236	43,720,624	45,429,021
<b>TOTAL LIABILITIES</b>	<b>45,176,696</b>	<b>54,046,940</b>	<b>62,079,314</b>	<b>66,629,863</b>	<b>73,348,877</b>	<b>79,950,846</b>	<b>79,504,266</b>	<b>83,993,363</b>
<b>Net Assets</b>								
Invested in capital assets	1,116,821	1,208,505	1,182,266	1,119,835	1,039,286	964,200	875,335	978,142
Unrestricted	16,254,810	18,628,339	20,030,538	23,907,878	27,828,067	30,561,667	37,484,963	39,095,522
<b>TOTAL NET ASSETS</b>	<b>\$ 17,371,631</b>	<b>\$ 19,836,844</b>	<b>\$ 21,212,804</b>	<b>\$ 25,027,713</b>	<b>\$ 28,867,353</b>	<b>\$ 31,525,867</b>	<b>\$ 38,360,298</b>	<b>\$ 40,073,664</b>

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
Last Eight Fiscal Years

	Fiscal Year Ended September 30,							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>REVENUES</b>								
Member premiums	\$ 19,872,558	\$ 24,954,395	\$ 29,615,344	\$ 30,917,293	\$ 34,421,079	\$ 30,636,804	\$ 31,155,506	\$ 29,469,780
Retrospective premium adjustments	(1,567,751)	4,085,368	(3,497,666)	(7,944,835)	(17,257,023)	(11,224,912)	(4,279,423)	(8,387,426)
<b>TOTAL OPERATING REVENUES</b>	<b>18,304,807</b>	<b>29,039,763</b>	<b>26,117,678</b>	<b>22,972,458</b>	<b>17,164,056</b>	<b>19,411,892</b>	<b>26,876,083</b>	<b>21,082,354</b>
<b>EXPENSES</b>								
Claims paid	8,271,688	9,933,731	8,712,505	8,308,231	8,422,347	10,361,897	10,075,155	9,134,958
Change in excess aggregate recovery	(181,405)	(92,571)	(52,985)	-	-	(95,777)	-	(88,462)
Change in claim reserves	699,085	934,116	4,270,269	(3,210,048)	(1,379,012)	(448,216)	(1,086,328)	2,281,381
Change in claims incurred but not reported	1,231,843	6,686,097	582,625	2,847,345	(2,336,107)	(917,405)	(642,041)	(65,834)
Change in unallocated loss adjustment expenses	(103,603)	832,613	572,586	478,982	(431,939)	(161,063)	(109,356)	63,789
<b>TOTAL CLAIMS EXPENSE</b>	<b>9,917,608</b>	<b>18,293,986</b>	<b>14,085,000</b>	<b>8,424,510</b>	<b>4,275,289</b>	<b>8,739,436</b>	<b>8,237,430</b>	<b>11,325,832</b>
Excess insurance	4,782,947	5,710,834	7,452,496	7,584,856	7,443,235	7,974,435	8,447,857	8,439,434
General and administrative	3,103,078	3,438,531	3,953,155	4,108,304	4,414,648	4,453,752	4,837,353	5,841,653
Depreciation	85,946	69,376	94,642	102,237	95,289	87,086	88,865	57,051
<b>TOTAL OPERATING EXPENSES</b>	<b>17,889,579</b>	<b>27,512,727</b>	<b>25,585,293</b>	<b>20,219,907</b>	<b>16,228,461</b>	<b>21,254,709</b>	<b>21,611,505</b>	<b>25,663,970</b>
<b>OPERATING INCOME (LOSS)</b>	<b>415,228</b>	<b>1,527,036</b>	<b>532,385</b>	<b>2,752,551</b>	<b>935,595</b>	<b>(1,842,817)</b>	<b>5,264,578</b>	<b>(4,581,616)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>								
Net investment income	1,569,625	938,991	843,575	910,121	2,894,232	4,501,331	1,569,853	6,294,982
Other	(12,000)	(814)	-	-	9,813	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,972,853</b>	<b>\$ 2,465,213</b>	<b>\$ 1,375,960</b>	<b>\$ 3,662,672</b>	<b>\$ 3,839,640</b>	<b>\$ 2,658,514</b>	<b>\$ 6,834,431</b>	<b>\$ 1,713,366</b>

**ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY**

**REVENUES BY PROGRAM**

For the Fiscal Year Ending September 30,

Fiscal Year	Liability	Dam	Property	Pass-Throughs	Workers' Compensation	Underground Storage Tanks	UTEL	Change in Rate	
								Stabilization Fund	Fund
1999-00	\$ 11,042,620	\$ 241,704	\$ 964,208	\$ 136,341	\$ 3,503,904	\$ 19,292	\$ (52,075)	2,172,517	18,028,511
	61.25%	1.34%	5.35%	0.76%	19.44%	0.11%	-0.29%	12.05%	
2000-01	9,831,696	243,225	1,501,540	117,336	5,525,335	(15,607)	0	668,844	17,872,369
	55.01%	1.36%	8.40%	0.66%	30.92%	-0.09%	0.00%	3.74%	
2001-02	10,609,587	245,704	1,327,740	129,874	7,279,383	16,417	0	253,727	19,862,432
	53.42%	1.24%	6.68%	0.65%	36.65%	0.08%	0.00%	1.28%	
2002-03	12,954,662	245,704	2,478,981	230,957	12,193,647	14,719	0	1,859,270	29,977,940
	43.21%	0.82%	8.27%	0.77%	40.68%	0.05%	0.00%	6.20%	
2003-04	9,002,687	254,174	2,524,245	244,340	15,430,449	15,903	0	(510,545)	26,961,253
	33.39%	0.94%	9.36%	0.91%	57.23%	0.06%	0.00%	-1.89%	
2004-05	5,759,133	249,581	4,834,686	232,687	13,333,606	14,296	0	(541,410)	23,882,579
	24.11%	1.05%	20.24%	0.97%	55.83%	0.06%	0.00%	-2.27%	
2005-06	15,874,115	306,958	2,501,186	219,013	1,668,654	14,603	0	(516,428)	20,068,101
	79.10%	1.53%	12.46%	1.09%	8.31%	0.07%	0.00%	-2.57%	
2006-07	14,229,262	316,615	4,388,159	273,531	5,277,836	13,891	(64,999)	(521,072)	23,913,223
	59.50%	1.32%	18.35%	1.14%	22.07%	0.06%	-0.27%	-2.18%	
2007-08	14,304,593	315,872	2,869,123	298,048	6,752,445	12,415	0	3,893,440	28,445,936
	50.29%	1.11%	10.09%	1.05%	23.74%	0.04%	0.00%	13.69%	
2008-09	14,546,456	288,670	3,108,219	275,582	7,601,621	(31,136)	(35,759)	1,623,683	27,377,336
	53.13%	1.05%	11.35%	1.01%	27.77%	-0.11%	-0.13%	5.93%	

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

EXPENSES BY PROGRAM

For the Fiscal Year Ending September 30,

OPEB

Fiscal Year	Liability	Dam	Property	Pass-Throughs	Workers' Compensation	Underground Storage Tanks	UTEL	Reclass Not Allocated	Totals
1999-00	\$ 11,586,562	\$ 241,704	\$ 963,271	\$ 136,341	\$ 3,216,196	\$ 16,568	\$ (51,974)	\$ 0	\$ 16,108,668
	71.93%	1.50%	5.98%	0.85%	19.97%	0.10%	-0.32%		
2000-01	9,929,880	243,225	1,501,540	117,336	5,165,136	(19,327)	0	0	16,937,790
	58.63%	1.44%	8.87%	0.69%	30.49%	-0.11%	0.00%		
2001-02	9,407,886	245,704	1,327,740	129,874	6,764,983	13,392	0	0	17,889,579
	52.59%	1.37%	7.42%	0.73%	37.82%	0.07%	0.00%		
2002-03	11,789,064	245,704	2,478,981	177,544	53,413	12,756,124	11,897	0	27,512,727
	42.85%	0.89%	9.01%	0.65%	0.19%	46.36%	0.04%		
2003-04	8,614,843	254,174	2,524,245	244,340	13,934,784	12,907	0	0	25,585,293
	33.67%	0.99%	9.87%	0.96%	54.46%	0.05%	0.00%		
2004-05	4,419,004	249,581	4,835,670	232,687	10,472,452	11,492	0	(45,675)	20,175,211
	21.90%	1.24%	23.97%	1.15%	51.91%	0.06%	0.00%	-0.23%	
2005-06	13,719,826	306,958	2,501,186	219,013	(485,601)	11,802	0	(44,723)	16,228,461
	84.54%	1.89%	15.41%	1.35%	-2.99%	0.07%	0.00%	-0.28%	
2006-07	12,756,384	316,615	4,388,159	273,531	3,622,251	11,066	(65,000)	(48,297)	21,254,709
	60.02%	1.49%	20.65%	1.29%	17.04%	0.05%	-0.31%	-0.23%	
2007-08	12,226,757	315,872	2,869,122	298,048	5,924,044	9,590	0	(31,928)	21,611,505
	56.58%	1.46%	13.28%	1.38%	27.41%	0.04%	0.00%	-0.15%	
2008-09	14,437,187	288,670	3,108,219	275,582	7,270,670	6,461	0	277,181	25,663,970
	56.25%	1.12%	12.11%	1.07%	28.33%	0.03%	0.00%	1.08%	



ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

SCHEDULE OF RATE STABILIZATION FUND ACTIVITY

For the Fiscal Years Ending September 30

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	Totals
<b>Liability</b>									
Payroll Adjustments	\$ (216,344)	\$ (151,463)	\$ (273,528)	\$ 0	\$ (950,168)	\$ (194,895)	\$ (424,268)	\$ (417,934)	\$ (2,628,600)
RPA's	1,819,472	2,438,571	1,201,922	0	2,796,161	1,065,131	4,205,849	(1,500,203)	12,026,903
10% Program	0	0	0	0	0	(912,697)	(453,659)	(610,203)	(1,976,559)
Cat Funds	0	0	979,257	0	0	0	0	997,823	1,977,080
<b>Property</b>									
RPA's	401,673	584,465	554,540	0	442,540	229,549	19,494	34,265	2,266,526
<b>Workers' Comp</b>									
RPA's	(1,307,711)	(507,759)	(1,907,977)	0	(2,190,329)	472,072	3,009,393	6,489,431	4,057,120
<b>Underground -</b>									
<b>Storage Tanks</b>									
RPA's	0	0	0	0	0	0	0	169,480	169,480
Cat Funds	0	0	0	0	0	0	0	40,274	40,274
<b>UTEL</b>									
RPA's	0	0	0	0	0	0	(93,969)	0	(93,969)
Cat Funds	0	0	0	0	0	0	-	35,762	35,762
<b>Totals</b>	<b>\$ 697,090</b>	<b>\$ 2,363,814</b>	<b>\$ 554,214</b>	<b>\$ 0</b>	<b>\$ 98,204</b>	<b>\$ 659,160</b>	<b>\$ 6,262,840</b>	<b>\$ 5,238,695</b>	<b>\$ 15,874,017</b>
<b>Cash Flow</b>									
Members Billed	89,008	261,345	91,169	316,594	683,283	236,074	59,044	56,923	1,793,440
Refunds to Members	(532,371)	(765,889)	(1,155,928)	(858,004)	(1,297,915)	(1,416,305)	(2,428,441)	(3,671,934)	(12,126,787)
<b>Net Total</b>	<b>\$ 253,727</b>	<b>\$ 1,859,270</b>	<b>\$ (510,545)</b>	<b>\$ (541,410)</b>	<b>\$ (516,428)</b>	<b>\$ (521,071)</b>	<b>\$ 3,893,443</b>	<b>\$ 1,623,684</b>	<b>\$ 5,540,670</b>

\* The Rate Stabilization Fund (RSF) contains the Retrospective Premium Adjustments (RPA's), Liability Payroll Adjustments, and closed Catastrophic Funds. For qualifying members of the 10% Liability Program, the RSF is used to reduce current Liability Premiums. Where noted "" a bracketed number "" means the members owed the JPIA funds and it reduces the RSF account while a positive amount increases the account. Each September 30th members' accounts are reconciled. Active members' with accounts over 60% of their current basic Liability Program Premium receive a refund. The 2005 fiscal year RSF process was recorded in the 2006 fiscal year.

ASSOCIATION OF CALIFORNIA WATER AGENCIES  
JOINT POWERS INSURANCE AUTHORITY

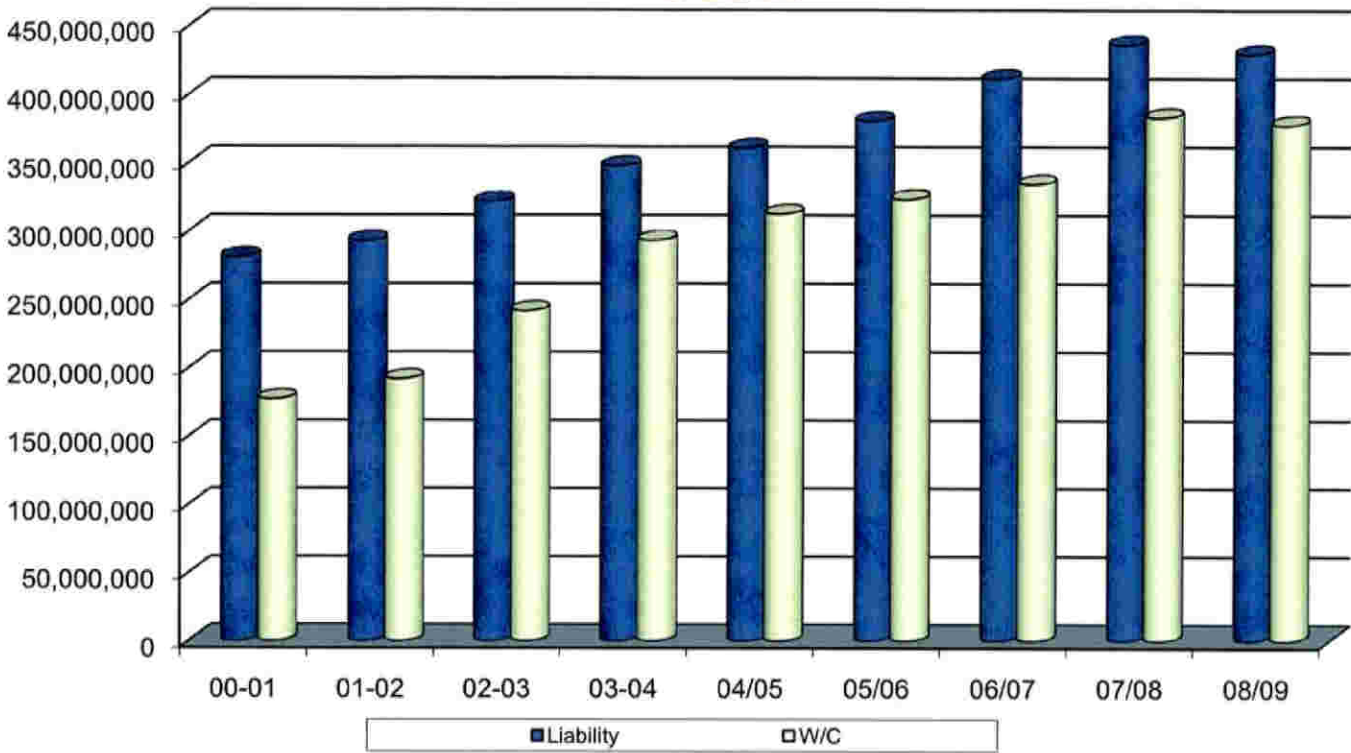
ECONOMIC STATISTICS

(000's Omitted)

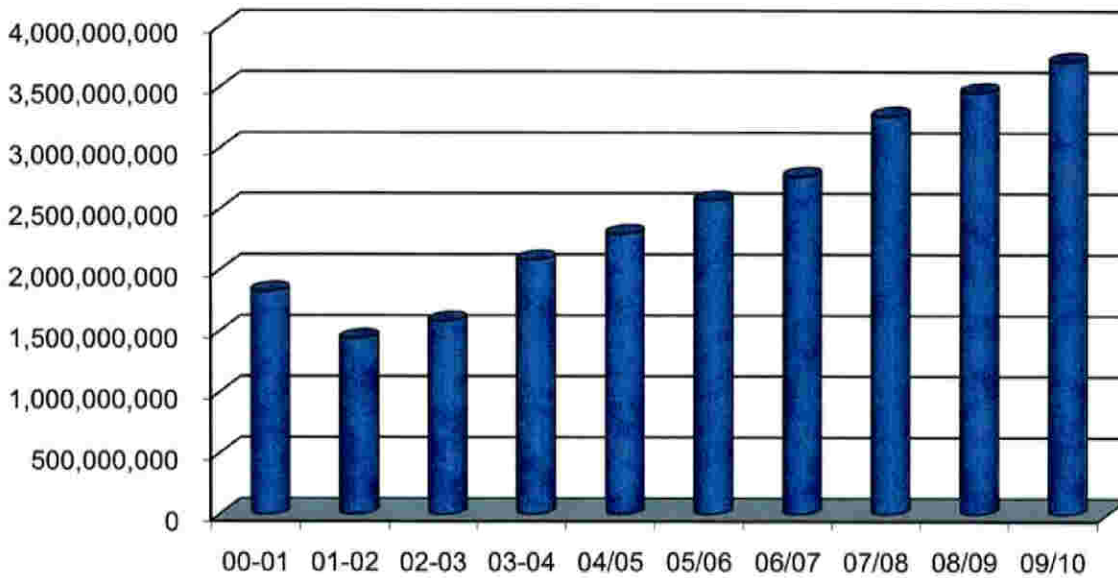
For the Fiscal Year September 30,

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009
<u>Liability</u>								
Total Number of Claims (Cumulative)	7,295	7,686	8,018	8,352	8,717	9,015	9,275	9,551
Closed Claims (Cumulative)	7,095	7,470	7,805	8,139	8,480	8,806	9,130	9,381
Open Claims	200	216	213	213	237	209	145	170
Covered Payroll	\$ 3,882,325	\$ 4,200,897	\$ 4,540,129	\$ 4,905,511	\$ 5,273,435	\$ 5,738,277	\$ 6,139,822	\$ 6,577,859
<u>Property</u>								
Total Number of Claims (Cumulative)	1,144	1,250	1,337	1,420	1,502	1,605	1,713	1,801
Closed Claims (Cumulative)	1,130	1,226	1,309	1,393	1,482	1,573	1,681	1,775
Open Claims	14	24	28	27	20	32	32	26
Total Insured Value (TIV)	\$ 22,383,980	\$ 24,686,397	\$ 27,113,021	\$ 29,827,752	\$ 32,785,344	\$ 34,563,800	\$ 38,127,056	\$ 41,376,694
<u>Workers' Compensation</u>								
Total Number of Claims (Cumulative)	4,694	5,124	5,589	5,985	6,384	6,775	7,194	7,613
Closed Claims (Cumulative)	4,328	4,681	5,125	5,621	6,056	6,434	6,806	7,213
Open Claims	366	443	464	364	328	341	388	400
Covered Payroll	\$ 1,649,276	\$ 1,937,609	\$ 2,251,826	\$ 2,555,200	\$ 2,871,939	\$ 3,318,109	\$ 3,706,551	\$ 4,110,740
Number of Employees	34	35	35	34	36	37	37	38
<u>Ratio of Premium to Payroll/TIV</u>								
Liability Program	4.06%	3.78%	3.93%	3.78%	4.12%	3.67%	3.64%	3.60%
Property Program	0.14%	0.16%	0.13%	0.13%	0.12%	0.13%	0.12%	0.11%
Workers' Comp. Program	3.42%	4.04%	4.55%	4.39%	3.73%	2.68%	2.46%	2.34%

**ACWA/JPIA  
Liability & Workers' Compensation Payroll  
9/30/09**



**ACWA/JPIA  
Property Total Insured Value (TIV)  
9/30/09**



**OTHER INDEPENDENT AUDITORS' REPORT**

**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***

Board of Directors  
Association of California Water Agencies  
Joint Powers Insurance Authority  
Citrus Heights, California

We have audited the financial statements of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) as of and for the year ended September 30, 2009, and have issued our report thereon dated December 22, 2009. We have conducted our audit in accordance with generally accepted auditing standards 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.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the ACWA/JPIA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ACWA/JPIA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ACWA/JPIA's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ACWA/JPIA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the ACWA/JPIA's financial statements that is more than inconsequential will not be prevented or detected by the ACWA/JPIA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the ACWA/JPIA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

***Compliance and other Matters***

As part of obtaining reasonable assurance about whether the ACWA/JPIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board and management. However, this report is a matter of public record and its distribution is not limited.

*Mane and Associates*

December 22, 2009