ASSOCIATION OF CALIFORNIA WATER AGENCIES

JOINT POWERS INSURANCE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended September 30, 2012 and 2011

Prepared by
FINANCE DEPARTMENT

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Years Ended September 30, 2012 and 2011

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INTRODUCTORY SECTION

JOINT POWERS
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February 1, 2013

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, 2012, 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 ending September 30, 2012, 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, 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 ending September 30, 2012 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, Workers' Compensation and Employee Benefits 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 to help prevent losses.

As of September 30, 2012, the JPIA had 370 members. Each member selects one representative to serve as a director on the JPIA Board of Directors. From this body eight members are elected to serve with staggered terms as members 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.

LOCAL ECONOMY

The national economy has been recovering from a recession the past few years at a snail's pace. From October 2011 through September 2012 the national unemployment went from 9% to 7.8% - a positive direction. Meanwhile in the state of California, considered the world's 9th largest economy, the unemployment rate went from 11.7% in September 2011 to 10.2% at the end of September 2012. It's fair to say California has felt this recession harder than other parts of the nation. In particular, the housing crisis has made a major impact in its economy. In the City of Roseville, where the JPIA office resides, the unemployment rate moved from 10.5% to 8.8% - again a positive trend.

With the exception of suppressed interest rates, the JPIA has not been affected as negatively as most companies in California. Staffing continues to be stable within the JPIA and due to expanded operations by creating the Employee Benefits department, the JPIA increased its employee count in a time when many other organizations have been downsizing. With the increasing pressure of both federal and state government to spend less and reduce deficits, the circumstances have not been ideal for many government agencies. The JPIA has largely been unaffected by these economic changes due to a majority of its expenses being claims related. The JPIA again was able to continue its operations during fiscal year ending September 30, 2012 without any rate changes to its members in any of its programs.

LONG-TERM FINANCIAL PLANNING

During fiscal year ending September 30, 2012 the JPIA held a number of workshops with its Executive Committee. The purpose of these workshops was to better define financial goals for the JPIA. In these workshops the purposes of these funds were discussed. In September 2012 the JPIA Executive Committee approved a new monetary policy to cover funding for the Liability and Workers' Compensation Programs.

The new monetary policy is two-fold, covering both the rate stabilization fund and the catastrophic fund. The rate stabilization fund is used to add and subtract monies from individual members' accounts as needed to true up policy years annually based on new actuary estimates of losses. This process commences when a policy year reaches four years of history. The monies in these individual accounts kept on behalf of the members are capped at 50% of their basic deposit premium, or approximately $9 million in the aggregate. The catastrophic fund consists of funds set aside to be used in time of need. Such funds are subject to JPIA Executive Committee approval are most likely to be used when the JPIA experiences adverse claims experience. The catastrophic fund is capped at ultimate losses estimated by the actuary for all open policy years using a 99% confidence level. Confidence level refers to the degree of certainty the actuary has that losses will be equal to or less than the estimate provided. Based on recent actuarial reports, the catastrophic fund was capped at $40.6 million.

Management believes the above funding policy covers a great deal of scenarios that the future could have and thus is confident these goals are best for the organization. As mentioned earlier, the JPIA embarked on a new program, Employee Benefits. Management is looking to define a policy for funding as well in regards to Employee Benefits. As management better learns the operations of this program, it is fully expected that similar discussions will take place with the JPIA Executive Committee.

The JPIA owns its building and does not foresee any significant capital projects related to buildings or structures. The previous building the JPIA occupied in Citrus Heights is still owned by the JPIA. The JPIA is currently marketing this building for lease and sale.

INTERNAL ACCOUNTING CONTROLS

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 within 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 internal controls 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 generally accepted accounting principles, and the activities and reporting of the JPIA are in compliance with relevant laws and regulations. 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.

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the JPIA for its comprehensive annual financial report for the fiscal year ending September 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 members for their commitment to the JPIA.

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

Respectively Submitted,

Walter "Andy" Sells
Chief Executive 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, 2012

EXECUTIVE COMMITTEE

Name	Office	District
E.G. “Jerry” Gladbach	President	Castaic Lake WA
Tom Cuquet	Vice-President	South Sutter WD
Joseph Dion	Director	Citrus Heights WD
David T. Hodgin	Director	Scotts Valley Water District
W.D. “Bill” Knutson	Director	Yuima Municipal WD
Melody McDonald	Director	San Bernardino Valley WCD
Charles Muse	Director	Helix Water District
Lou Reinkens	Director	Tahoe City Public Utility District
John Coleman	At-Large	ACWA Vice-President
Walter “Andy” Sells	CEO	

Office Address

2100 Professional Drive
Roseville, California 95661

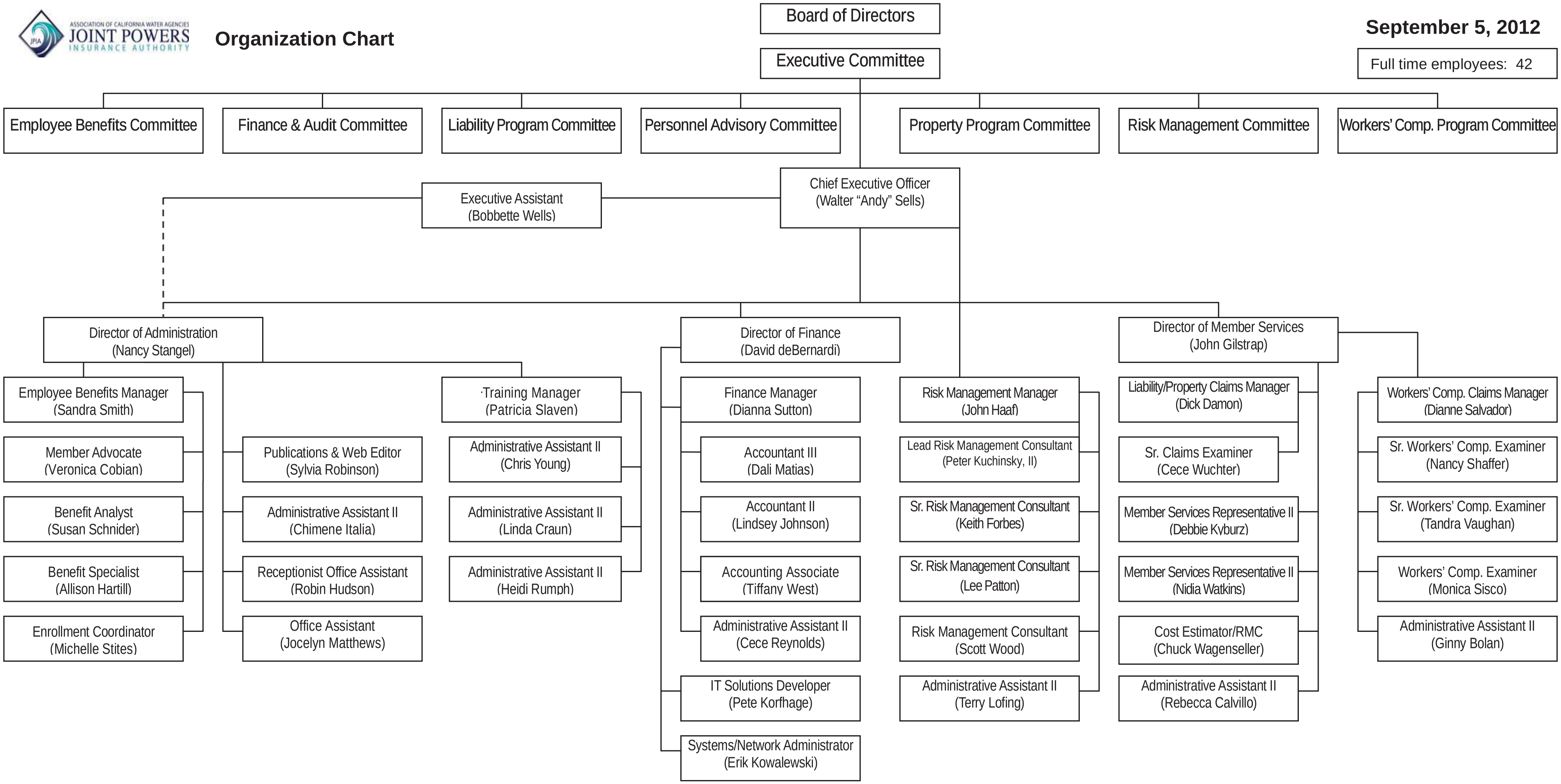
Report Prepared By The
Finance Department

David deBernardi, CPA, Director of Finance
Dianna Sutton, Finance Manager
Dalisay Matias, Accountant III
Lindsey Johnson, Accountant II
Cece Reynolds, Administrative Assistant II
Tiffany West, Accounting Associate

Organization Chart

September 5, 2012

Full time employees: 42



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Association of California Water Agencies Joint Powers Insurance Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Christopher P Morrill

President

Jeffrey R. Esser

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Association of California Water Agencies
Joint Powers Insurance Authority
Roseville, 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 years ended September 30, 2012 and 2011 as listed in the Table of Contents. These financial statements are the responsibility of the ACWA/JPIA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the basic financial statements referred to above present fairly in all material respects the financial position of the ACWA/JPIA as of September 30, 2012 and 2011 and the changes in financial position and cash flows thereof for the years then ended in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 2D, both the ACWA/JPIA Executive Committee and the Health Benefits Authority (HBA) approved the transition of the HBA program into ACWA/JPIA. In March 2012, the HBA Board of Directors voted to dissolve the HBA programs and, as a result, the HBA merged with the ACWA/JPIA as of July 1, 2012 and the ACWA/JPIA Employee Benefits Program was established on July 1, 2012.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2013 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 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ACWA/JPIA's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maze & Associates

February 1, 2013

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 ending September 30, 2012. 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 v of this report.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

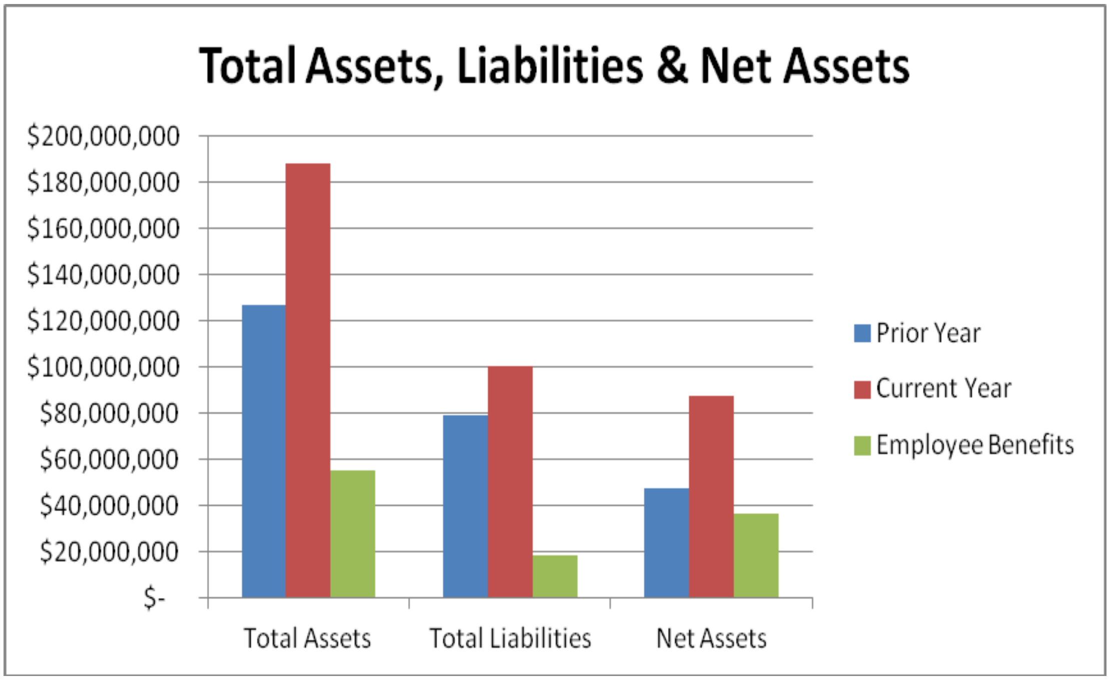
The JPIA operates as an enterprise fund and utilizes an accrual basis of accounting. The report includes the basic financial statements for the JPIA in accordance with generally accepted accounting principles. The Statements of Net Assets present a snapshot of the JPIA's assets, liabilities and net assets as of September 30, 2012 and 2011. 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

The JPIA embarked on a new journey in fiscal year 2012 by starting a new Employee Benefits department on July 1, 2012, to provide medical, dental, vision, life and other benefits to member district's employees. This change was the result of another joint powers authority, ACWA Health Benefits Authority, dissolving and merging its operations into the JPIA. Consequently, the condensed financial statements reflect dramatic changes.

Total assets increased by $61 million during fiscal year ending 2012. A majority of this skyrocketing increase was from the Employee Benefits Program that held $55 million in total assets at September 30, 2012. Total liabilities increased during fiscal year ending 2012 by $21 million. Like total assets, the cause for this change was due to the new Employee Benefits Program that added approximately $20 million in liabilities to the JPIA. Following the trend, net assets also rose by $40 million. Again, the Employee Benefits Program was reason for the growth.

The following graph depicts the total assets, liabilities and net assets by comparing them in total from September 30, 2011 (prior year) to September 30, 2012 (current year). Also shown in the graph are the total assets, liabilities and net assets for the Employee Benefits Program as of year-end September 30, 2012. The green bar in the graph represents the portion of the current year made up of Employee Benefits.



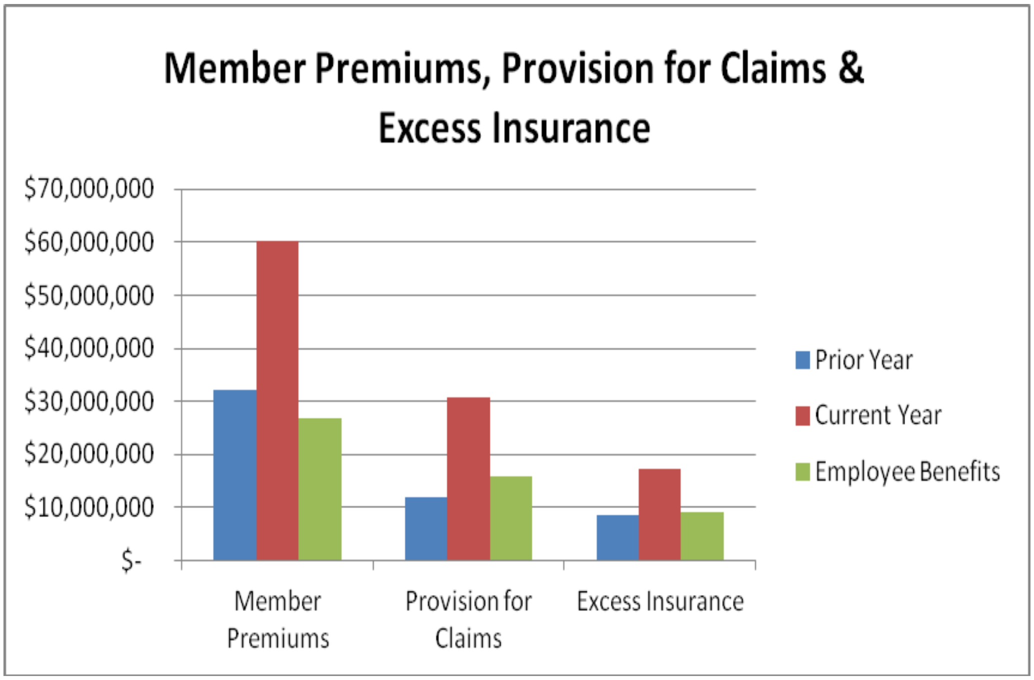
For the fiscal year ending September 30, 2011, there were some changes to the Statement of Net Assets. Total assets decreased by $1.2 million. This fluctuation was largely the result of the $2.5 million increase in claims paid from the prior year. Total liabilities declined $4.5 million. The primary cause for this decrease was the reduced retrospective premium adjustment payable which lessened by $2.2 million. Member refunds totaling $6.4 million served to reduce this liability.

CONDENSED STATEMENT OF NET ASSETS

	9/30/2012	9/30/2011	9/30/2010	2012 vs 2011 Variance	2011 vs 2010 Variance
ASSETS					
Cash and Investments	$157,149,039	$107,549,030	$111,333,815	$ 49,600,009	($3,784,785)
Other Assets	23,980,520	12,357,945	11,656,997	11,622,575	700,948
Capital Assets	6,904,191	6,862,991	4,974,593	41,200	1,888,398
Total Assets	188,033,750	126,769,966	127,965,405	61,263,784	(1,195,439)
LIABILITIES					
Current Liabilities	60,219,720	41,867,839	38,507,711	18,351,881	3,360,128
Noncurrent Liabilities	40,450,696	37,590,083	45,455,820	2,860,613	(7,865,737)
Total Liabilities	100,670,416	79,457,922	83,963,531	21,212,494	(4,505,609)
NET ASSETS					
Invested in Capital Assets	6,904,191	6,862,991	4,974,593	41,200	1,888,398
Unrestricted	80,459,143	40,449,053	39,027,281	40,010,090	1,421,772
	$87,363,334	$47,312,044	$44,001,874	$ 40,051,290	$3,310,170

Member premiums nearly doubled during fiscal year 2012, increasing by $28 million. This change is largely attributed to additional premiums of $26.5 million from the Employee Benefits Program. The provision for claims increased dramatically going from $12 million to $31 million. Approximately $16 million of this increase comes from the new Employee Benefits Program. Excess insurance finds itself in a similar situation with an increase of $8.8 million over the last 12 months. The JPIA had $9 million in excess insurance costs for the Employee Benefits Program that was not in the previous year. The JPIA acquired $35 million in net assets as part of the transition of ACWA Health Benefits Authority's operations into the JPIA.

The graph below depicts the impact of the Employee Benefits Program on the JPIA and the changing of the net assets from October 1, 2011 through September 30, 2012 (Current Year). When reviewing this graph you can see by placing the Employee Benefits (green bar) on top of the Prior Year (blue bar) that combined they virtually equal Current Year (red bar) numbers – further demonstrating that these changes were all about the new program added to operations. Overall, net assets increased by $40 million.



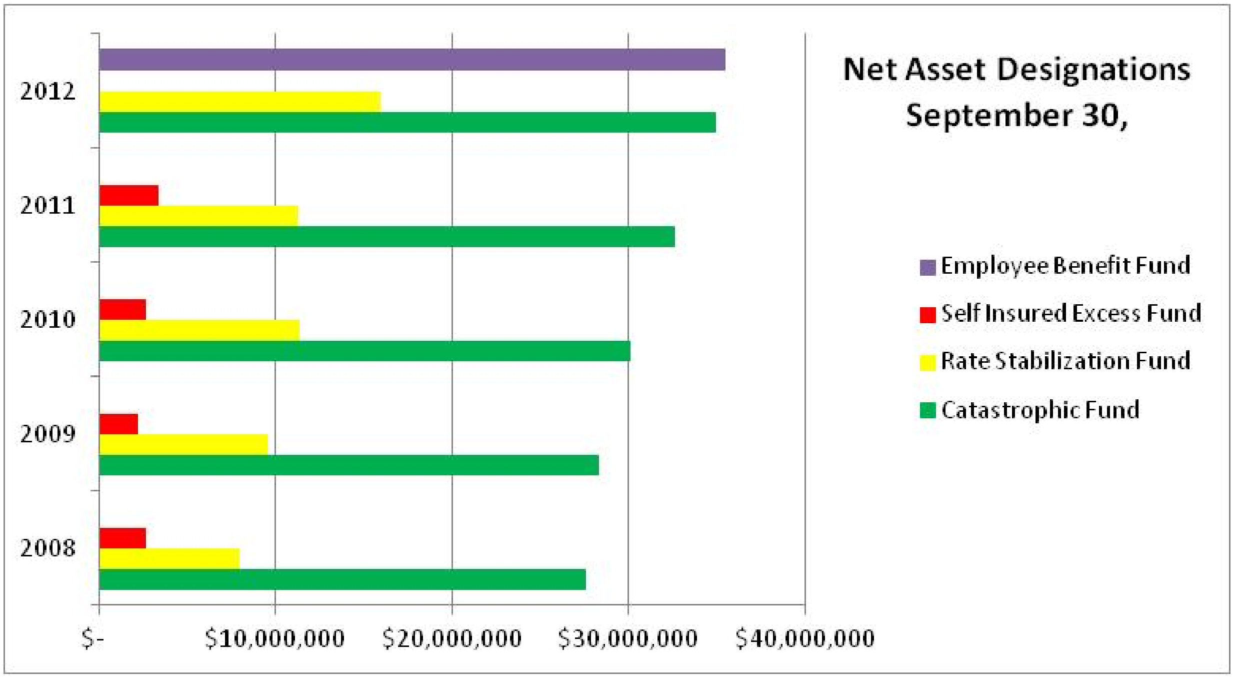
For the fiscal year ending September 30, 2011, there were a number of notable variances to the Statement of Revenues, Expenses and Changes in Net Assets. Total operating revenues improved by $1 million. This increase was caused by higher covered payroll for members' in both the Liability (2% growth) and Workers' Compensation (2.5% growth) Programs as well as a rise in total insured values in the Property Program (7.9% growth). The provision for claims dropped by $448,000. The primary driver to this decrease was the smaller actuarial estimates of $3.2 million in claims losses for prior policy years in the Workers' Compensation Program. General & administrative expenses rose by $568,000. Most of this increase was due to the additional depreciation from the new JPIA headquarters and an increase in claims coverage related legal fees. Investment income decreased by $1.4 million which reflects the low yields offered in the investment market over the past 2 years.

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

	9/30/2012	9/30/2011	9/30/2010	2012 vs 2011 Variance	2011 vs 2010 Variance
OPERATING REVENUES					
Members Premiums	$60,219,073	$32,175,664	$ 30,328,626	$ 28,043,409	$ 1,847,038
Retrospective Premium Adjustments	(1,782,760)	(4,026,190)	(3,276,537)	(2,243,430)	(749,653)
Total Operating Revenues	58,436,313	28,149,474	27,052,089	30,286,839	1,097,385
OPERATING EXPENSES					
Provision for Claims	30,804,349	11,880,268	12,328,854	18,924,081	(448,586)
Excess Insurance	17,301,864	8,507,507	8,350,340	8,794,357	157,167
General & Administrative	6,964,898	5,898,455	5,330,063	1,066,443	568,392
Total Operating Expenses	55,071,111	26,286,230	26,009,257	28,784,881	276,973
OPERATING INCOME (LOSS)	3,365,202	1,863,244	1,042,832	1,501,958	820,412
NONOPERATING REVENUES					
Investment Income	1,699,881	1,446,926	2,885,378	252,955	(1,438,452)
Net Assets Acquired from Merger	34,986,207	0	0	34,986,207	
CHANGE IN NET ASSETS	40,051,290	3,310,170	3,928,210	36,741,120	(618,040)
NET ASSETS, BEGINNING	47,312,044	44,001,874	40,073,664	3,310,170	3,928,210
NET ASSETS, ENDING	$87,363,334	$47,312,044	$44,001,874	$40,051,290	$ 3,310,170

FINANCIAL HIGHLIGHTS

Some refer to California as *earthquake country*. While there were no major earthquakes in California recently, the JPIA experienced a financial change that could be likened to a major tremor. The new Employee Benefits Program commenced July 1, 2012 and in its 3 months of activity nearly doubled the JPIA's member premiums from the previous year's. The JPIA's investments increased significantly, as well, by $27 million. General and administrative expenses increased by $1 million to administer the new program. All this amidst a struggling economy left for exciting times within the walls of the organization. Meanwhile the JPIA again refunded money to members who participated in Liability, Property and Workers' Compensation Programs. Refunds totaled just over $4 million and were the result of favorable loss experience in these programs. The financial position has held strong with only 54% of the JPIA's total assets encumbered by liabilities. A majority of the assets, 84% at September 30, 2012, is in the form of cash or investments leaving the JPIA with great flexibility to accommodate future financial challenges.



The chart above illustrates the balances in the Catastrophic Fund, the Rate Stabilization Fund, the Self Insured Excess Fund and the Employee Benefits Fund. These represent designations of net assets at year end. The Rate Stabilization Fund is funds held on members' behalf (capped at 50% of their current year's basic liability premium) to mitigate adverse changes in premiums as well as minimize any future assessments when necessary. Due to favorable loss experience over the past 5 years this fund has gradually increased.

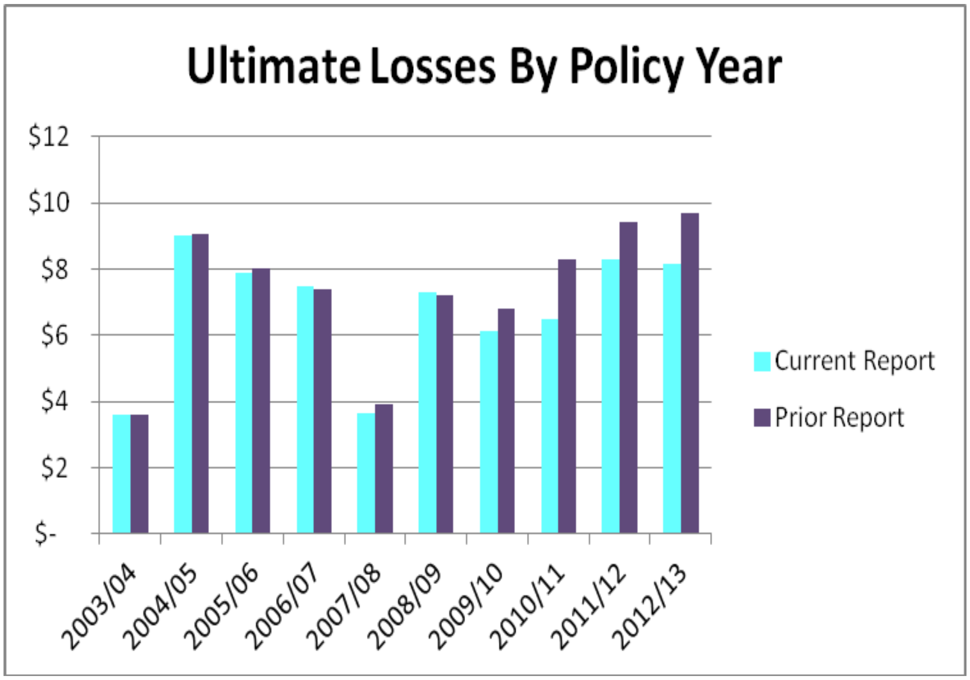
The Catastrophic Fund represents funds collected in addition to the normal member premiums to buffer the effect of adverse claims experience. These funds have continued to grow since the need for using these funds has been minimal. In September 2012 the JPIA Executive Committee approved a new policy for this fund where such monies are capped at actuarial gross estimated losses using a 99% confidence level for both Liability and Workers' Compensation Programs. Summing recent actuarial reports this amounts to $40.6 million. Confidence level refers to the likelihood that the estimated losses will be less or equal to the estimate. The greater the confidence level, the greater assurance one has of losses being less than the estimated dollar amount.

The Self Insured Excess Fund was created to buffer changes made to the self insured retention (SIR) levels. To the extent that claims losses breach the prior SIR level in a given policy year, they are used to pay for these claims losses. Claims activity over the years has been steady enough at this level that such funds have not grown significantly. In September 2012 the JPIA Executive Committee approved transferring this fund's remaining balance into the Rate Stabilization Fund, thus there is no balance at September 30, 2012.

The Employee Benefits Fund was created as part of the Employee Benefits Program. These monies represent an amount specifically to be used for rate reductions and/or holidays in the future for this program. Most of this fund's balance was acquired by the JPIA from the program's previous JPA, ACWA Health Benefits Authority.

LIABILITY PROGRAM
The Liability Program in its most recent policy year 2011-2012 covered $465 million in member districts' payroll. This was an increase of 3% from the previous year. The membership in this program has been stable with 292 (up from 286) participating members whose average tenure was 24 years in policy year 2011-12.

Each year the JPIA obtains an independent actuary report to determine estimates of ultimate losses for each policy year the JPIA covers its members. The ultimate loss is the total out of pocket expenses expected to be paid out by the JPIA for insuring its members in a given policy year. These costs exclude amounts expected to be reimbursed by excess insurance carriers as well as general and administrative expenses necessary to run the program's operations. In the following graph (shown in millions), the ultimate losses from the recent actuary report are compared to the reported numbers from the previous year (September 30, 2011).

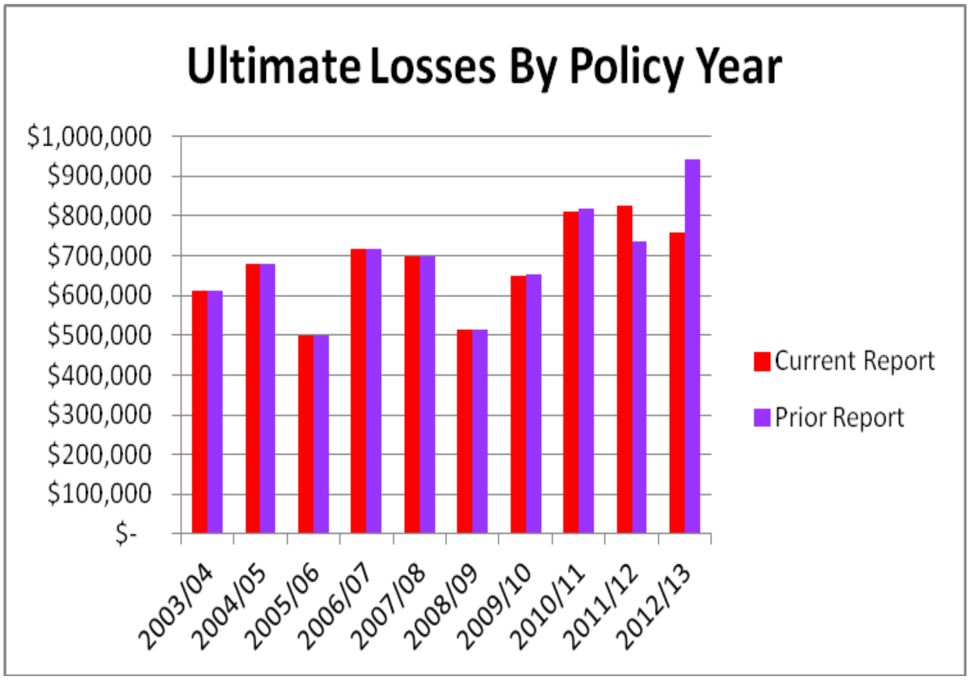


Overall, the changes from the prior report are favorable, summing to $5.4 million less in estimated losses than in the prior year. The most notable revisions are in the recent policy years where knowledge of the claims is less developed. The older policy years have smaller changes since these policy years have had the time to develop and information is better projected. The changes illustrated above point to the JPIA's members being above average at preventing losses as actuarial estimates are developed using industry averages. This graph also demonstrates the volatile nature of liability coverage as the reader can see that ultimate losses range from a low of $3.6 million to as high as $9 million despite the stable membership. Examples of significant claims include auto accidents, fire damage, flooding, and infrastructure failures. The JPIA continues to offer training to its members to mitigate losses.

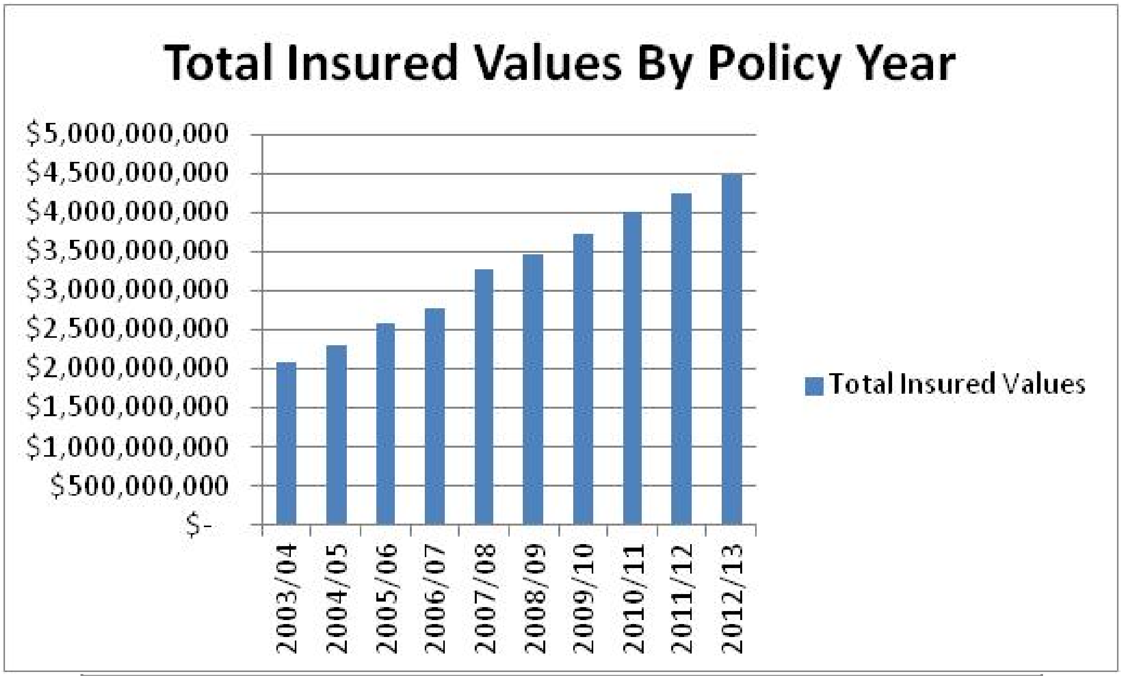
PROPERTY PROGRAM

The Property Program has 262 participating districts in its current policy year (2012-13) compared to 258 participants for the previous policy year. The average tenure of the currently participating members is 22 years. Premium rates have remained the same for the past five policy years. The JPIA has been self insured up to $50,000 per claim since the 2001-02 policy year, thus limiting the severity of the pooled losses.

Like the Liability Program each year the JPIA obtains an independent actuary report to determine estimates of ultimate losses for each policy year the JPIA covers its members. In the graph following the ultimate losses from recent actuary report are compared to the actuary reported numbers from the previous year (September 30, 2011)



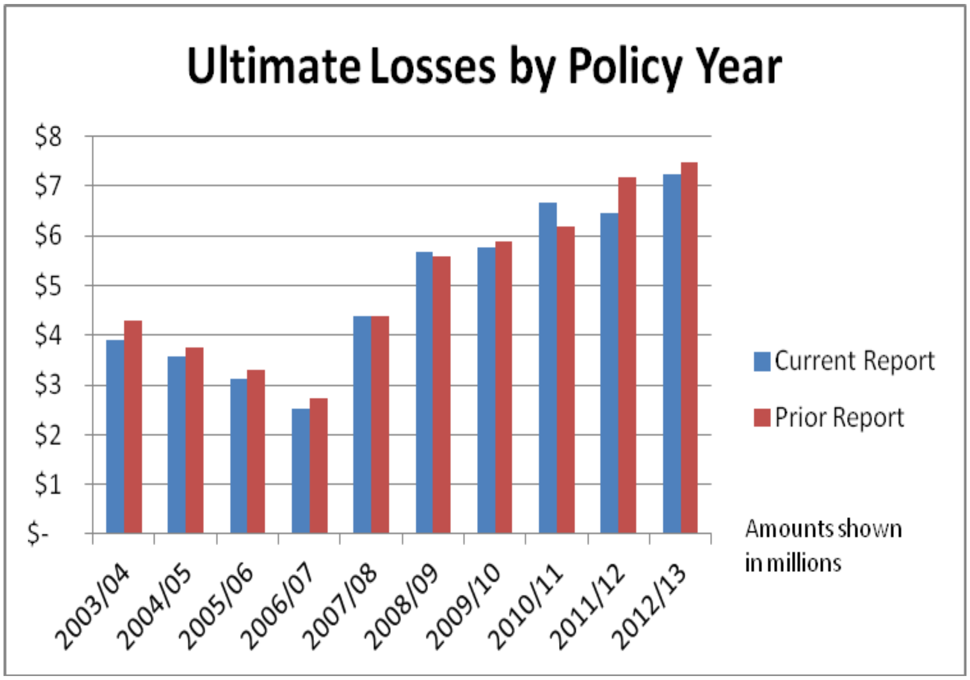
Studying the graph above, one can see overall changes from the actuary are not very significant. The overall change nets to approximately $100,000 less in losses than previously estimated. Looking at the last 10 years' policy year data, it is also apparent, with losses ranging from $500,000 to $825,000, that these estimates experience less volatility than other JPIA programs. The reason for this is two-fold. The first cause for this is that by the nature of the program, property damages are definitive and more easily measured. The other reason for this relative stability is that the JPIA only self-insures up to $50,000 a claim, thereby limiting the JPIA's exposure. Although it would appear costs have jumped in the three more recent policy years, this is not entirely accurate as the JPIA's total insured values have increased in the corresponding time to cause this leap. The following graph illustrates the point.



In the last 10 years the total insured values covered in the Property Program has more than doubled. The dramatic upward trend is due to members building/purchasing new property to be insured and the ever increasing replacement costs over the years.

WORKERS' COMPENSATION PROGRAM

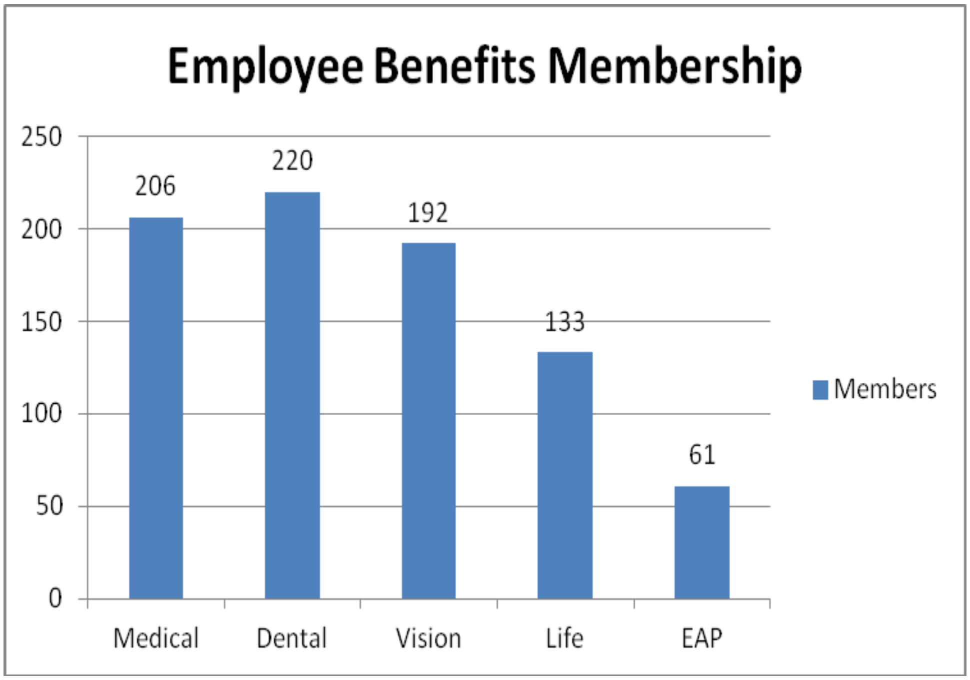
The Workers' Compensation Program has enjoyed modest growth in recent times. The number of participating districts for the past three policy years has gone from 161 to 170 and covered payroll has increased from $397 million to $433 million; a 9% rise. Legislative changes, such as SB899 which was passed in 2004, have shown very positive results throughout the State of California. Coupled with an emphasis on workplace safety through training, the JPIA has benefited from these law changes. 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. Member premiums have ranged from $9.2 million to $11.4 million over the past three policy years. Since changing its self insured retention level from $650,000 per claim in policy year 2002-03 to $2 million per claim in policy year 2003-04, the JPIA has had one claim in excess of $650,000, thus rewarding the program financially. The following chart (shown in millions) portrays the ultimate losses by policy as estimated by the actuary in the most recent actuarial report versus. the previous actuarial report. The JPIA obtains a new actuary report each year.



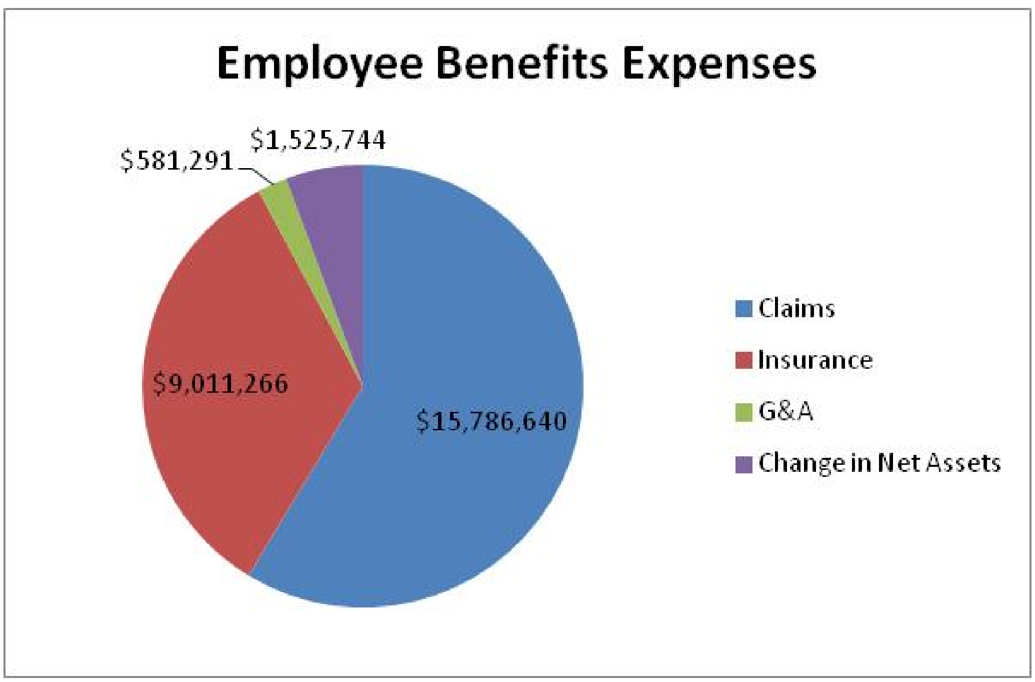
Reviewing the above data, the reader can see the volatility of the program's losses. Ultimate losses have ranged from $2.5 to $7.2 million over the last 10 policy years. The upward trend in the most recent years is also very notable as the market has trended towards hardening. The overall adjustments from the actuary reports net to $1.5 million less than what had been previously estimated. This is a positive sign that the JPIA members continue to demonstrate above average loss trends compared to the market as a whole.

EMPLOYEE BENEFITS PROGRAM

The JPIA commenced the Employee Benefits Program July 1, 2012 and thus has only been in operation for 3 months at the fiscal year's end. Five new staff have been added to the JPIA to accommodate these new services. The Employee Benefits Program has a few different benefits offered with the most significant being medical, dental and vision. Membership for each of the different benefits offered is separate. At year end September 30, 2012 membership within the Employee Benefits was as follows:



Despite the short time span the numbers are significant. The program incurred $25.3 million in expenses which was offset by $26.9 million in revenues. Claims represent the biggest expense of the program followed closely by insurance. The following pie chart illustrates the breakdown of the expenses (with change in net assets included for point of reference) for fiscal year September 30, 2012.



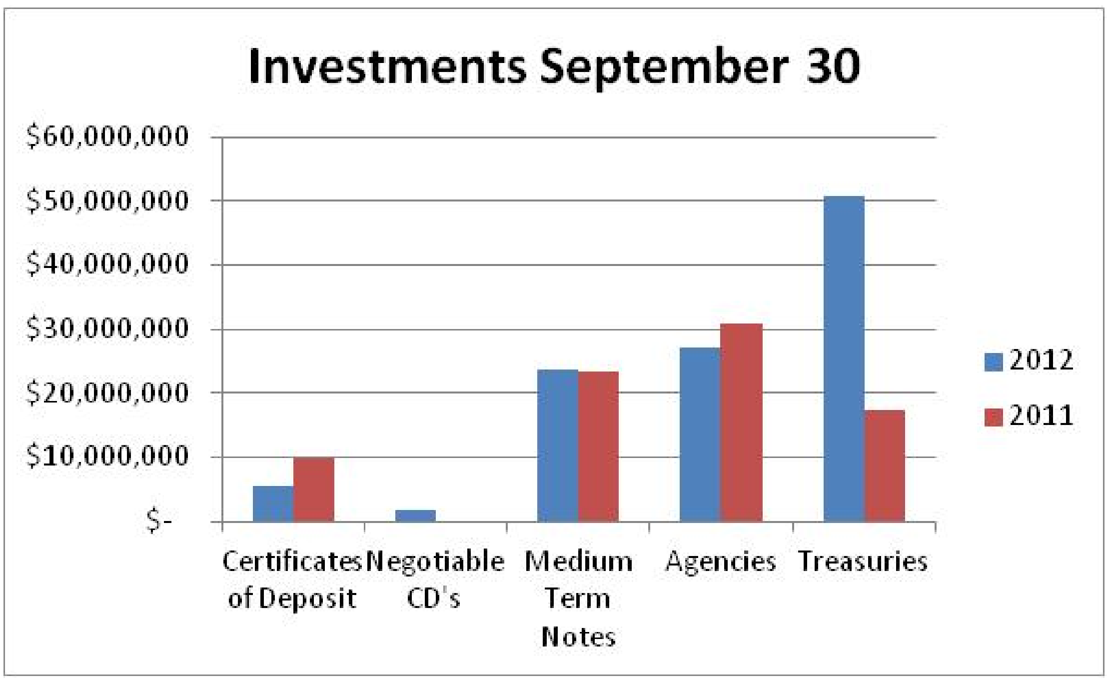
At year end September 30, 2012 the program has $36.5 million in net assets leaving it in a favorable position to offset significant changes in pricing to its members in the future.

CASH AND INVESTMENTS

Cash and investments continue to make up the majority of the JPIA's assets. At year end September 30, 2012, total cash and investments were $157 million – up $50 million from the prior year. This jump was largely the result of the JPIA's addition of a new program (Employee Benefits) on July 1, 2012, by merging into the JPIA operations from another organization (ACWA Health Benefits Authority). The transition of these operations brought in an additional $44 million of cash and investments. Much of these monies did not get invested until late August of 2012. Accordingly, the anticipated increase in investment income shows very little for the year ending September 30, 2012. Net investment income was $1.7 million compared to $1.4 million in the prior year – a $300,000 increase.

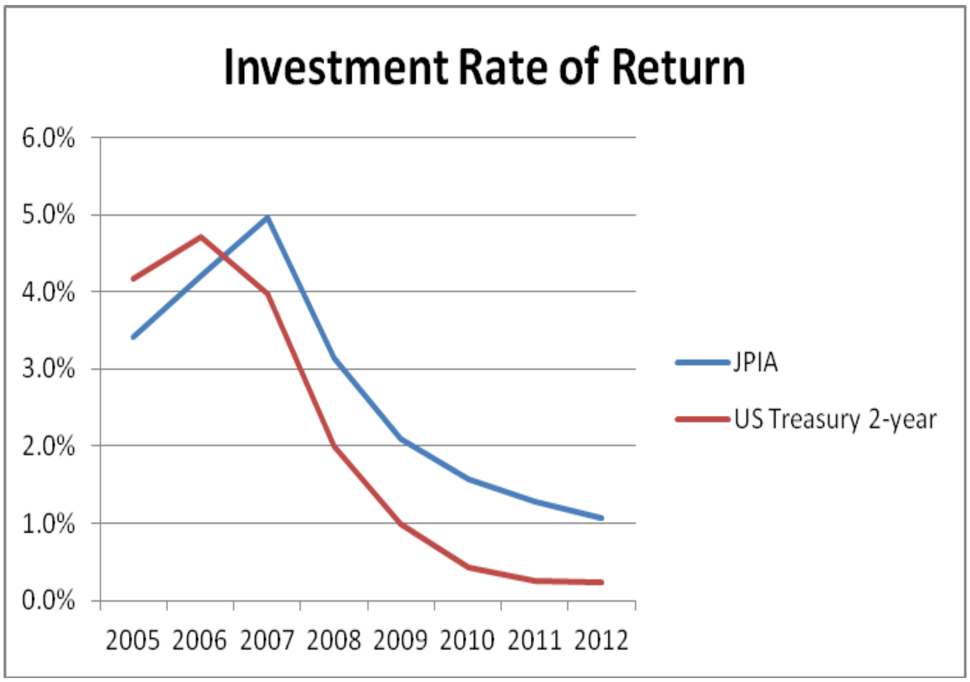
The cash and investments declined by $3.78 million during fiscal year ending September 30, 2011. The main reason for this change is the monies were used to renovate the new JPIA headquarters. The cash and cash equivalents increased approximately $6 million for the year-ending September 30, 2010. This was primarily due to a timing difference of the Liability Program's excess insurance payment of $4.8 million.

The management of the cash and investments is twofold. The JPIA internally manages the cash needed for operations and the majority of the short-term investments. The noncurrent portion of investments is managed by PFM Asset Management LLC. The JPIA's investment policy prioritizes safeguarding of principal first, followed by meeting liquidity needs and then optimum yield. Total investments were $109 and $82 million at year ends September 30, 2012 and 2011, respectively. The following chart depicts the totals by investment type:



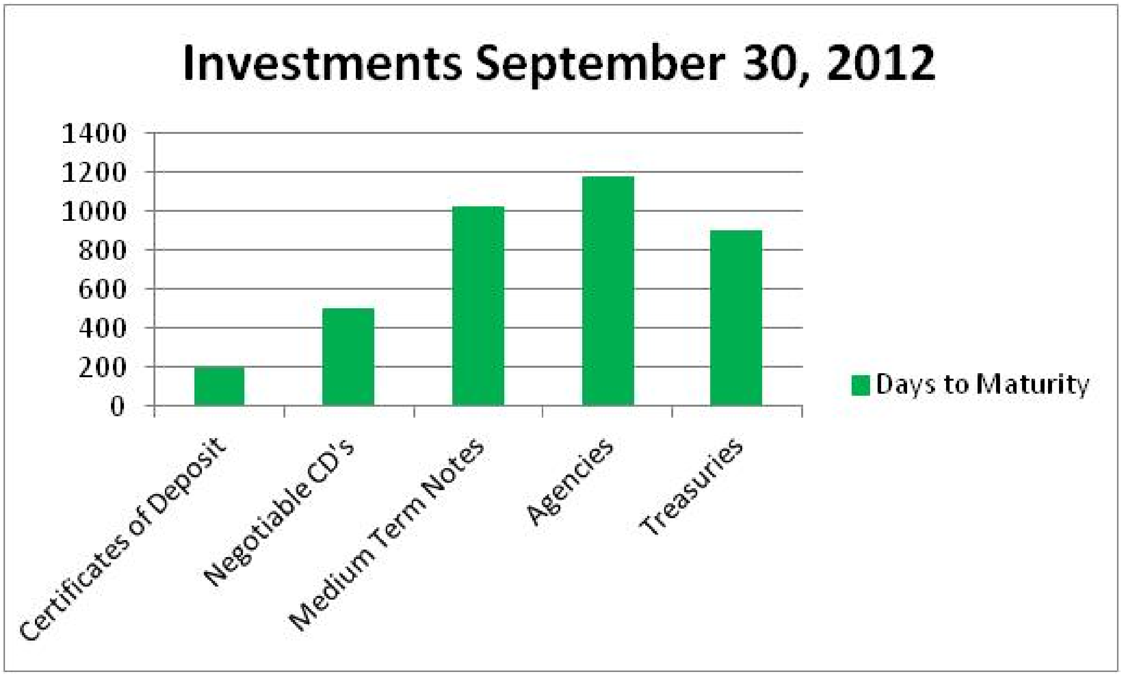
The obvious change in the past year is the large increase in the treasuries, which increased by $33 million. Recent investment transactions have focused in treasuries because the spreads between treasuries, agencies and medium term notes has become very small. Consequently, treasuries have been the majority of purchases since they offer safer protection to the portfolio than agencies or medium term notes. This also allows the opportunity to swap between sectors when agencies and medium term notes become more attractive. All the new investments brought in as part of the JPIA's new program, Employee Benefits, were invested in treasuries.

On September 30, 2012, the average number of days to maturity was 956 compared to 644 as of year-end 2011. This represents the portfolio lengthening its average maturity date nearly one more year than previously. The reason for this change is a function of yield. Simply put, securities with longer durations offered higher yields than shorter term securities. The spread between the shorter term versus longer term securities was much narrower than in the previous years. At September 30, 2012 the effective rate of return was 1.06% compared to 1.29% a year earlier. Contributing factors to the declining yield include monetary easing by central banks, a weak job market, and continuing concerns about the debt ceiling wrangling in Washington. These factors coupled with a sluggish U.S. economy have suppressed investment returns. The following graph illustrates the effective rate of returns over the last few years and the impact the investment market has had on these returns:



In the graph above the JPIA's effective rate of return is compared to the U.S. Treasury 2-year yield. The JPIA's effective rate of return peaked in 2007 at 5% and since then has gradually declined due to the lowered interest rates the marketplace offered in the slowed economy. The good news is that the lowering trend seems to be slowing down as shown in the graph above. The returns above include all investments both those managed internally and externally.

Current investments for the fiscal year ending September 30, 2012 have decreased by $5.3 million. As of September 30, 2012, 2011 and 2010 the current investments were $7, $12.3 and $6.6 million, respectively. The JPIA continues to use LAIF to invest a majority of the short term investments that are needed to meet operational needs. The following graph details duration of the JPIA investments as of September 30, 2012.



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

The JPIA has set itself apart by offering quality, water-industry specific training at no additional cost to its members. Through face-to-face training, online classes and webinars, the JPIA endeavors to meet the professional development needs of members and help each perform his or her job more effectively, efficiently and lawfully. Therefore, this training reduces claims. The JPIA continues to receive high ratings for its training programs and districts go out of their way to express appreciation for the learning and development opportunities offered.

The JPIA continues to develop our training program to meet the needs of our members. Below is a summary of JPIA training accomplishments for fiscal year-end September 30:

Activity	2012	2011
Classes Delivered	394	392
Class Participants	7,710	6,632
Training Conferences	2	3
Training Conference Participants	165	217
Cal/OSHA 10-Hr Construction Safety	16	14
Cal/OSHA 10-Hr Participants	133	133
Board Training	211	n/a
Live Webinars	13	10
Live Webinar Participants	353	251
Recorded Webinar Viewings	305	169
Host Facilities	99	101
PreventionLink Online – Districts	155	147
PreventionLink – courses completed	8,059	8,998
PDP Participants	1,042	1,042
PDP Completions	45	37
Lending Library Resources Sent	1,466	1,498

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, which provides the most current approved independent audited financial statements. Questions concerning any of the information presented can be sent to the following address.

ACWA/JPIA - Finance Department
2100 Professional Drive, Roseville, CA 95661-3700

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 48,124,544	$ 25,574,381
Investments	7,050,070	12,312,420
Accounts receivable:		
Member premiums	7,513,268	3,041,025
Investment income	444,513	409,109
Excess insurance proceeds	5,196,120	375,545
Aggregate insurance	399,779	391,594
Retrospective premium adjustment	5,644,348	3,465,798
Other	183,209	97,439
Prepaid excess insurance	2,138,732	1,971,629
Other prepaid expenses	124,984	160,235
TOTAL CURRENT ASSETS	76,819,567	47,799,175
NONCURRENT ASSETS		
Investments	101,974,425	69,662,229
Net other post employment benefits	2,335,567	2,445,571
Capital assets - net	6,904,191	6,862,991
TOTAL NONCURRENT ASSETS	111,214,183	78,970,791
TOTAL ASSETS	$ 188,033,750	$ 126,769,966
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 270,513	$ 112,207
Accrued expenses	391,016	343,501
Unearned member premiums	28,456,167	19,044,716
Retrospective premium adjustment payables	10,486,318	12,289,828
Provision for claims	20,615,706	10,077,587
TOTAL CURRENT LIABILITIES	60,219,720	41,867,839
NONCURRENT LIABILITIES		
Retrospective premium adjustment payables	12,588,510	12,349,793
Claims reserves	4,840,211	4,879,422
Claims incurred but not reported	20,925,067	18,344,175
Unallocated loss adjustment liability	2,096,908	2,016,693
TOTAL NONCURRENT LIABILITIES	40,450,696	37,590,083
TOTAL LIABILITIES	$ 100,670,416	$ 79,457,922
NET ASSETS		
Invested in capital assets	$ 6,904,191	$ 6,862,991
Unrestricted	80,459,143	40,449,053
TOTAL NET ASSETS	$ 87,363,334	$ 47,312,044

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, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Member premiums	$ 60,219,073	$ 32,175,664
Retrospective premium adjustments	(1,782,760)	(4,026,190)
TOTAL OPERATING REVENUES	58,436,313	28,149,474
OPERATING EXPENSES		
Claims expense:		
Claims paid	27,272,010	12,316,974
Change in excess aggregate recovery	(8,186)	(215,529)
Change in claims reserves	395,087	(451,162)
Change in claims incurred but not reported	3,058,785	383,658
Change in unallocated loss adjustment expense	86,653	(153,673)
Total claims expense	30,804,349	11,880,268
Excess insurance	17,301,864	8,507,507
General and administrative	6,641,962	5,664,370
Depreciation	322,936	234,085
TOTAL OPERATING EXPENSES	55,071,111	26,286,230
OPERATING INCOME	3,365,202	1,863,244
NONOPERATING REVENUES		
Investment income	1,454,738	1,822,097
Net increase (decrease) in investment fair value	245,143	(375,171)
TOTAL NONOPERATING REVENUES	1,699,881	1,446,926
SPECIAL ITEM		
Net assets acquired from merger	34,986,207	0
CHANGE IN NET ASSETS	40,051,290	3,310,170
NET ASSETS, BEGINNING OF YEAR	47,312,044	44,001,874
NET ASSETS, END OF YEAR	$ 87,363,334	$ 47,312,044

See accompanying notes to financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	$ 64,467,581	$ 30,765,961
Cash received from excess/aggregate insurance	851,782	423,029
Payments for claims	(27,272,010)	(12,316,974)
Payments for excess/aggregate claims	(5,825,000)	(719,392)
Payments for excess insurance	(17,468,608)	(8,565,278)
Payments for billings & RPA fund	(4,353,487)	(6,458,871)
Payments to vendors	(2,357,417)	(1,415,995)
Payments to employees	(4,281,908)	(4,076,849)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,760,933	(2,364,369)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(170,559)	(2,921,136)
Cash and investments added from merger at July 1, 2012	44,243,687	0
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	44,073,128	(2,921,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,707,681	1,931,858
Purchase of investments	(84,418,254)	(53,511,133)
Proceeds from maturities of investments	57,426,675	49,754,623
NET CASH USED BY INVESTING ACTIVITIES	(25,283,898)	(1,824,652)
Increase (decrease) in cash and cash equivalents	22,550,163	(7,110,157)
Cash and cash equivalents, beginning of year	25,574,381	32,684,538
Cash and cash equivalents, end of year	$ 48,124,544	$ 25,574,381
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 3,365,202	$ 1,863,244
Adjustments to net cash used by operating activities:		
Depreciation	322,936	234,085
Member premiums	1,186,848	(264,796)
Excess/aggregate insurance proceeds	(4,828,760)	(533,116)
Retrospective premium adjustment receivables	(2,178,550)	(1,348)
Other post employment benefits (OPEB)	110,004	94,830
Other	(55,826)	44,611
Prepaids and other assets	(203,756)	(98,095)
Accounts payable	137,976	20,537
Accrued expenses	47,515	40,555
Unearned member premiums	3,881,611	359,650
Retrospective premium adjustment payables	(1,564,793)	(3,903,354)
Claim liabilities	3,540,525	(221,172)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 3,760,933	$ (2,364,369)

See accompanying notes to financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
NON CASH ITEMS		
Change in unrealized fair value of investments	$ 245,143	$ 1,321,946
Net capital assets assumed by the JPIA from July 1, 2012 merger	193,577	

See accompanying notes to financial statements.

(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 five joint protection programs:

- Public Auto and General Liability
- Workers' Compensation
- Property Insurance
- Underground Storage Tank Liability
- Employee Benefits (Medical, Dental, Vision, Other)

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 is not financially accountable for 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 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 $100,000

The SIRs for this program by year are as follows:

Year	SIR Amount
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 - 9/30/11	1,000,000
10/1/11 - 9/30/13	2,000,000

Excess of: $2,000,000 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:

Year	SIR Amount
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 - 3/31/13	50,000

Excess of: $50,000 up to a total of $100,000,000 coverage with various sub limits 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:

Year	SIR Amount
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 - 6/30/13	2,000,000

Excess of: $2,000,000 to statutory limits through Safety National.
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.

d) Employee Benefits Program – In January 2012 both the ACWA/JPIA Executive Committee and the Health Benefits Authority (HBA) approved the transition of the HBA program into ACWA/JPIA. In March 2012 the HBA Board of Directors voted to dissolve the HBA programs. As a result, the ACWA/JPIA Employee Benefits Program was established on July 1, 2012, to provide medical, dental and vision coverage for members' employees and dependents. The preferred provider organization plans offered in the medical and dental coverage are self-insured. Funding is based upon rates established by ACWA/JPIA's Executive Committee. ACWA/JPIA utilizes a 3rd party to administer these claims on behalf of participating members**.**

ACWA/JPIA carries reinsurance with Sun Life Assurance Company of Canada for coverage losses in excess of ACWA/JPIA's self-insured retention of $450,000 for up to a maximum per beneficiary of $1,550,000 incurred and paid during the policy period, or during the six-month period immediately following the end of the policy period. The policy year is January 1 through December 31.

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, 2012 and 2011. 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 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. Pending years of service, employees are allowed to accrue a maximum of 40 days of vacation. 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, 2012 and 2011, the accrued vacation was $246,261 and $217,593, 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. Claims for ACWA/JPIA's Employee Benefit Program are handled by a 3rd party.

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. For the Employee Benefits Program premiums are calculated based upon approved rates by the ACWA/JPIA Executive Committee.

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.

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:

	2012	2011
Current Assets:		
Cash and cash equivalents	$ 48,124,544	$ 25,574,381
Investments	7,050,070	12,312,420
Noncurrent Assets:		
Investments	101,974,425	69,662,229
Total cash and investments	$157,149,039	$107,549,030

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

	2012	2011
Cash on hand	$ 200	$ 200
Deposits with financial institutions	10,640,673	2,380,784
Managed pool accounts	3,049,515	25,031
Local Agency Investment Funds	34,434,156	23,168,366
Investments	109,024,495	81,974,649
Total cash and investments	$157,149,039	$107,549,030

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.

AUTHORIZED INVESTMENT TYPE	MAXIMUM MATURITY*	MAXIMUM PERCENTAGE OF PORTFOLIO	MAXIMUM INVESTMENT IN ONE ISSUER	MINIMUM CREDIT QUALITY
Federal Agency	5 years	100%	50%	None
Federal Agency MBS	5 years	20%	20%	None
Bankers' Acceptances	180 days	20%	5%	Highest by NRSRO
Commercial Paper	270 days	25%	5%	Highest by NRSRO
Negotiable Certificates of Deposits	5 years	30%	5%	A-
Time Certificates of Deposits	5 years	30%	FDIC & NCUA Limits	Banks S&L / CU Insured
Repurchase Agreements	92 days	20%	20%	Primary Dealer
Medium-Term Notes	5 years	30%	5%	A-
Local Government Investment Pools	N/A	50%	N/A	AAAm
Local Agency Investment Funds	Daily	50%	N/A	N/A
Money Market Funds	N/A	20%	20%	Treasury Agency Only
U.S. Treasury	5 years	100%	100%	None

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

Concentration of Credit Risk – 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:

Issuer	Investment Type	2012	2011
Federal Home Loan Mortgage Corp	U.S. Agency Securities	$7,932,696	$13,768,631
Federal National Mortgage Corp	U.S. Agency Securities	19,262,216	13,391,266

Custodial Credit Risk – ACWA/JPIA maintains deposits with financial institutions in excess of federal depository insurance limits. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of ACWA/JPIA's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in ACWA/JPIA's name and places it ahead of general creditors of the institution.

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 interest rates. As a means of highlighting exposure to interest rate risk, the fair value of all securities is calculated and reported monthly to the two oversight committees of ACWA/JPIA for investments. Investment fair value and duration at September 30 are as follows:

Authorized Investment Type	2012	Effective Duration
U.S. Treasury Obligations	$50,911,439	2.421
U.S. Agency Securities	27,194,912	3.142
Mortgage Pass-through Securities	413	1.794
Medium-Term Notes	23,669,320	2.701
Time Certificates of Deposit	5,498,411	0.532
Negotiable Certificates of Deposit	1,750,000	1.350

Authorized Investment Type	2011	Effective Duration
U.S. Treasury Obligations	$17,474,515	2.870
U.S. Agency Securities	30,980,101	2.395
Mortgage Pass-through Securities	497	2.669
Medium-Term Notes	23,518,376	2.095
Time Certificates of Deposit	10,001,160	0.801

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:

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2012 and 2011

Authorized Investment	Amount	Exempt from Disclosure	Aaa	Aa (1-3)	A (1-3)	Not Rated
As of September 30, 2012						
Cash	$ 200	$ 200	$ 0	$ 0	$ 0	$ 0
Deposits with Financial Institutions	10,640,673					10,640,673
Time Certificates of Deposit	5,498,411					5,498,411
Negotiable Certificates of Deposit	1,750,000			1,750,000		
Managed Pool Accounts	3,049,515		25,085	3,024,430		
LAIF	34,434,156					34,434,156
U.S. Treasury	50,911,439	50,911,439				
U.S. Agency Securities	27,194,912		27,194,912			
Mortgage Pass thru Securities	413					413
Medium-Term Notes	23,669,320			12,438,839	11,230,481	
Totals	$157,149,039	$50,911,639	$27,219,997	$17,213,269	$11,230,481	$50,573,653

Authorized Investment	Amount	Exempt from Disclosure	Aaa	Aa (1-3)	A (1-3)	Not Rated
As of September 30, 2011						
Cash	$ 200	$ 200	$ 0	$ 0	$ 0	$ 0
Deposits with Financial Institutions	2,380,784					2,380,784
Time Certificates of Deposit	10,001,160					10,001,160
Managed Pool Accounts	25,031		25,031			
LAIF	23,168,366					23,168,366
U.S. Treasury	17,474,515	17,474,515				
U.S. Agency Securities	30,980,101		30,980,101			
Mortgage Pass thru Securities	497					497
Medium-Term Notes	23,518,376			15,667,705	7,850,671	
Totals	$107,549,030	$17,474,515	$31,005,132	$15,667,705	$7,850,671	$35,550,807

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. 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 (Managed Pool Accounts) – ACWA/JPIA is a participant in the California 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.

ACWA/JPIA is a participant in the CalTRUST external investment pool regulated by the California State Association of Counties (CSAC) under the management of Wells Capital Management Inc. and Union Bank of California. The fair value of ACWA/JPIA's investment in this pool is reported in the accompanying financial statements at amounts based upon it's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST, which are recorded on a net assets value basis.

(4) Capital Assets

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

	9/30/2011	Additions	Deductions	Transfers	9/30/2012
NON-DEPRECIABLE ASSETS:					
Land	$ 874,241	$ 0	$ 0	$ 0	$ 874,241
Undeveloped Software	22,443	63,569	0	(10,711)	75,301
Total Non-depreciable Assets:	896,684	63,569	0	(10,711)	949,542
DEPRECIABLE ASSETS:					
Building & Improvements	6,645,424	19,809	0	0	6,665,233
Furniture & Equipment	461,217	108,669	0	10,711	580,597
Software	223,269	314,304	0	0	537,573
Total Depreciable Assets	7,329,910	442,782	0	10,711	7,783,403
LESS ACCUMULATED DEPRECIATION:					
Building & Improvements	(996,394)	(225,717)	0	0	(1,222,111)
Furniture & Equipment	(145,939)	(93,522)	0	0	(239,461)
Software	(221,270)	(145,912)	0	0	(367,182)
Total Accumulated Depreciation	(1,363,603)	(465,151)	0	0	(1,828,754)
Capital Assets - Net	$ 6,862,991	$ 41,200	$ 0	$ 0	$ 6,904,191

Included in the Capital Asset additions (preceding table) are $21,488 of furniture and equipment; $314,304 of software; and $142,215 of accumulated depreciation that were the result of the merger of Health Benefits Authority.

	9/30/2010	Additions	Deductions	Transfers	9/30/2011
NON-DEPRECIABLE ASSETS:					
Land	$ 283,696	$ 0	$ 0	$ 590,545	$ 874,241
Building Under Construction	4,208,230	2,039,252	0	(6,247,482)	0
Undeveloped Software	0	22,443	0	0	22,443
Total Non-depreciable Assets:	4,491,926	2,061,695	0	(5,656,937)	896,684
DEPRECIABLE ASSETS:					
Building & Improvements	1,277,039	46,607	0	5,321,778	6,645,424
Furniture & Equipment	111,877	14,181	0	335,159	461,217
Software	306,191	0	(82,922)	0	223,269
Total Depreciable Assets	1,695,107	60,788	(82,922)	5,656,937	7,329,910
LESS ACCUMULATED DEPRECIATION:					
Building & Improvements	(824,162)	(172,232)	0	0	(996,394)
Furniture & Equipment	(87,223)	(58,716)	0	0	(145,939)
Software	(301,055)	(3,137)	82,922	0	(221,270)
Total Accumulated Depreciation	(1,212,440)	(234,085)	82,922	0	(1,363,603)
Capital Assets - Net	$ 4,974,593	$1,888,398	$ 0	$ 0	$ 6,862,991

Building Under Construction – On August 25, 2009, ACWA/JPIA purchased a building for $2,780,000 located in Roseville, California. Since the time of purchase, ACWA/JPIA has been in the process of readying the building for its use. ACWA/JPIA moved its office to this building in mid January 2011. The new building is being 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, Property Programs and Employee Benefit 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 evaluates the fiscal condition of its reinsurers to minimize exposure to significant losses for insolvencies.

(6) 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, 2012 and 2011. 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 except the Employee Benefits Program. 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 fiscal year 1998-99, 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 50% of the current year's basic liability premium, the difference will be put in the member's Catastrophic Fund. During the fiscal year 2002-03 the RPA Stabilization Fund was expanded to include the Property and Workers' Compensation pooled Programs.

(7) Reconciliation of Claims Liabilities

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

September 30:	2012	2011
Discounted Unpaid Claims and Claim Adjustment		
Expenses at Beginning of Fiscal Year	$35,317,877	$35,539,049
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Fiscal Year	30,260,475	13,771,763
Increase (Decrease) in Provision of Insured Events of Prior Fiscal Years	552,060	(1,675,961)
Total Incurred Claims and Claim Adjustment Expenses	30,812,535	12,095,802
Accrued provision assumed from Health Benefits Authority	9,619,490	0
PAYMENTS:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	18,261,313	2,830,849
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	9,010,697	9,486,125
Total Payments	27,272,010	12,316,974
Discounted Unpaid Claims and Claim Adjustment		
Expenses at End of Fiscal Year	$48,477,892	$35,317,877
COMPONENTS:		
Provision for Claims (Current)	$ 20,615,706	$ 10,077,587
Claims Reserves	4,840,211	4,879,422
Claims Incurred But Not Reported	20,925,067	18,344,175
Unallocated Loss Adjustment Liability	2,096,908	2,016,693
Total Claims Liability	$48,477,892	$35,317,877

At September 30, 2012, unpaid losses of $50,270,155 are presented at their net present value of $48,477,892. These losses are discounted at a rate of 1% for Liability and Workers' Compensation and .5% for Property.

At September 30, 2011, unpaid losses of $36,780,659 are presented at their net present value of $35,317,877. These losses are discounted at a rate of 2%.

(8) Operating Leases

ACWA/JPIA owns its previously occupied building and leases it out under separate operating leases. ACWA/JPIA intends to sell this building when the market is more favorable. Total gross rental income received during the years ended September 30, 2012 and 2011 was $74,168 and $71,172, respectively.

Minimum future rentals to be received under these leases as of September 30

Year Ending	Amounts
2013	$ 49,849
2014	49,849
2015	49,849
2016	49,849
2017	41,634
TOTAL	$241,030

(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 typically 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 Employee Benefits Fund is specifically for future use in the Employee Benefits Program. The Self Insured Excess Fund was eliminated in September 2012. The RPA Stabilization Fund is established to minimize excessive RPA's for prior policy years.

Net assets are designated in the following manner**:**

September 30:	2012	2011
Catastrophic Reserve (CAT) Fund	$34,901,824	$32,638,138
Self Insured Excess Fund	0	3,372,714
Employee Benefits Fund	36,511,951	0
RPA Stabilization Fund	15,949,559	11,301,192
Net Assets	$87,363,334	$47,312,044

(10) Joint Ventures

ACWA/JPIA participated in a joint venture under a joint powers agreement with Local Agency Workers' Compensation Excess (LAWCX) during the fiscal years 1992-93; 1993-94; and 1994-95. 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.

ACWA/JPIA also participated in a joint venture under a joint powers agreement with ACWA Health Benefits Authority (HBA). The relationship between ACWA/JPIA and HBA is such that HBA is not a component unit of ACWA/JPIA for financial reporting purposes.

HBA arranges for and provides employee medical and dental benefits for its members. A member elected board governs HBA. The board controls the operations of HBA, including selection of management and approval of operating budgets, independent of any influence by the member agencies. Each member agency pays a premium commensurate with the level of benefits requested and shares surpluses and deficits proportionate to its participation in HBA. HBA transitioned its operations into ACWA/JPIA on July 1, 2012 and subsequently dissolved. A special item on the statements of changes in net assets of $34,986,207 appears showing the net assets absorbed from this merger.

HBA prepared separate annual financial statements, which may be obtained from ACWA Health Benefits Authority, 4600 Northgate Blvd., Suite 100, Sacramento, CA 95834-1121.

(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 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 board approved the prepayment of $461,840 for ACWA/JPIA's Side Fund which was paid to CalPERS during fiscal year 2008-09. This reduced the rate from the original rate of 10.107% by 1.826% for a final rate of 8.281% beginning June 28, 2009. The required employer contribution rate for the period of October 1, 2011 through June 30, 2012 was 8.902%. Beginning July 1, 2012 the rate was 9.017%. 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 2012 and 2011, the contribution for the employees' portion of CalPERS amounted to $161,248 and $170,350, respectively.

Annual Pension Cost - For fiscal year 2011-12, ACWA/JPIA's annual pension cost and contribution was $253,746. For fiscal year 2010-11, ACWA/JPIA's annual pension cost and contribution was $234,190. ACWA/JPIA's covered payroll for PERS was $2,881,255 and $2,856,377 for the years ended September 30, 2012 and 2011, respectively. The required contribution for fiscal year 2011-2012 was determined as part of the June 30, 2009 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 3.55 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 payrolls on a closed basis over fifteen 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 fifteen year period. For each of the fiscal years shown below, ACWA/JPIA contributed at the actuarially determined rate provided by CalPERS actuaries.

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
9/30/2010	$227,462	100.00%	$0
9/30/2011	$234,190	100.00%	$0
9/30/2012	$253,746	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, ACWA/JPIA's Miscellaneous Plan was terminated and the employees in the plan were required by CALPERS to join a 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
6/30/2008	$532,483,463	$513,147,099	$19,336,364	96.4%	$183,387,608	10.5%
6/30/2009	$582,841,869	$553,953,526	$28,888,343	95.0%	$184,319,666	15.7%
6/30/2010	$624,423,437	$594,492,164	$29,931,273	95.2%	$186,777,830	16.0%

(12) <u>Retiree Medical Benefits</u>

Financial reporting standards for employers providing postemployment benefits other than pensions (OPEB) 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, 2012 and 2011, there were nine and eight participants, respectively, 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:

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 a July 1, 2011 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) 7.61% discount rate, (b) 3.25% annual rate of increase in payroll (c) health care cost trend rates from 5.5% to 7.3%. The health care cost trend rate is the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments. 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 July 1, 2011, the actuarial accrued liability was estimated to be $3,798,912.

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. As ACWA/JPIA is fully funded during the fiscal years 2011-12 and 2010-11, no contributions were made to the Plan. As a result, ACWA/JPIA has calculated and recorded the Net OPEB Asset, representing the normal cost of the ARC, amortization and contributions, as presented below:

September 30:	2012	2011
Annual required contribution	$143,455	$127,730
Interest on net OPEB obligation	(231,035)	(196,881)
Adjustment to annual required contribution	197,584	163,981
Annual OPEB cost	110,004	94,830
Contributions made:		
Premiums paid	101,014	80,014
Premiums reimbursed by CERBT	(101,014)	(80,014)
Net contributions	0	0
Change in net OPEB asset	110,004	94,830
Net OPEB Obligation (Asset) at beginning of year	(2,445,571)	(2,540,401)
Net OPEB Obligation (Asset) at end of year	($2,335,567)	($ 2,445,571)

The actuarial accrued liability (AAL) representing the present value of future benefits at September 30, 2012 and 2011 was estimated to be $3,798,912 and $3,640,718, respectively. The AAL was fully funded due to the transferring of assets into CERBT during the fiscal year

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

Fiscal Year	OPEB Annual Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
9/30/2009	$338,201	$3,027,459	895%	($2,689,258)
9/30/2010	148,857	0	0%	(2,540,401)
9/30/2011	94,830	0	0%	(2,445,571)
9/30/2012	110,004	0	0%	(2,335,567)

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 actuarial studies is presented following:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	(Unfunded) Overfunded Actuarial Accrued Liability (A - B)	Funded Radio (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	(109%)
10/1/2010	$4,509,414	$3,640,718	$ 868,696	1.23%	$2,856,377	30%
7/1/2011	$4,966,241	$3,798,912	$1,167,329	1.32%	$2,881,255	42%

(13) <u>Deferred Compensation Plan</u>

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.

(14) Pending Litigation

ACWA/JPIA has purchased excess insurance policies with the Insurance Company of the State of Pennsylvania (ISOP). ACWA/JPIA contends that the ISOP policy covers certain lawsuits that are currently pending with a member district. ISOP has declined all coverage. The costs of defending the underlying claims could ultimately total $3 million in additional exposure which ACWA/JPIA plans to pay if ISOP continues to deny coverage for which ACWA/JPIA will pursue recovery against ISOP. As of the year ended September 30, 2012, ACWA/JPIA had paid $6.7 million in claims related to the lawsuits.

REQUIRED SUPPLEMENTARY INFORMATION

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

SEPTEMBER 30, 2012

	Liability Program	Property Program	Workers' Compensation Program	Employee Benefits Program	Total
Unpaid Claims and Claim Adjustment at Beginning of the Fiscal Year:	$ 15,533,649	$ 296,576	$ 19,487,652	$ 0	$ 35,317,877
Incurred Claims and Allocated Claim Adjustment Expense:					
Provisions for Insured Events of the Current Fiscal Year	8,354,660	599,990	5,519,185	15,786,640	30,260,475
Increase (Decrease) in Provision for Incurred Events of Prior Fiscal Years	(778,106)	177,627	1,152,539	0	552,060
Total Incurred Claims and Allocated Claim Adjustment Expenses:	7,576,554	777,617	6,671,724	15,786,640	30,812,535
Accrued Provision Assumed from Health Benefits Authority	0	0	0	9,619,490	9,619,490
Payments:					
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	980,968	388,906	1,104,799	15,786,640	18,261,313
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	5,468,674	253,349	3,288,674	0	9,010,697
Total Payments:	6,449,642	642,255	4,393,473	15,786,640	27,272,010
Discounted Unpaid Claims and Allocated Claim Adjustment Expense at the End of the Fiscal Year:	$ 16,660,561	$ 431,938	$ 21,765,903	$ 9,619,490	$ 48,477,892
Components:					
Provision for Claims (Current)	$ 6,897,278	$ 431,938	$ 3,667,000	$ 9,619,490	$ 20,615,706
Claims Reserves	0	0	4,840,211	0	4,840,211
Claims IBNR	9,364,619	0	11,560,448	0	20,925,067
Unallocated Loss Adjustment Liability	398,664	0	1,698,244	0	2,096,908
Total Claims Liability	$ 16,660,561	$ 431,938	$ 21,765,903	$ 9,619,490	$ 48,477,892

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2012

LIABILITY PROGRAM

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
1. Required contribution and investment revenue:										
Earned	$ 14,195,129	$ 16,081,457	$ 15,953,717	$ 19,120,596	$ 18,402,871	$ 19,942,266	$ 18,683,983	$ 18,861,970	$ 18,933,411	$ 19,732,600
Ceded	2,872,366	4,750,754	4,747,844	4,376,544	4,468,104	4,926,828	4,906,389	4,608,867	4,595,419	4,145,093
Net earned	11,322,763	11,330,703	11,205,873	14,744,052	13,934,767	15,015,438	13,777,594	14,253,103	14,337,992	15,587,507
2. Unallocated expenses	1,650,261	1,835,148	1,686,434	2,028,930	1,565,336	2,036,386	2,449,063	1,697,034	1,583,878	909,804
3. Estimated claims and expenses end of policy year:										
Incurred	8,391,405	8,396,259	6,580,599	8,598,359	7,700,683	7,600,857	8,977,902	7,422,043	9,537,161	11,501,735
Ceded	900,000	1,610,000	1,800,000	935,920	1,073,855	1,159,832	800,459	775,277	1,482,000	3,340,797
Net incurred	7,491,405	6,786,259	4,780,599	7,662,439	6,626,828	6,441,025	8,177,443	6,646,766	8,055,161	8,160,938
4. Net paid (cumulative) as of :										
End of policy year	1,709,154	1,087,659	1,150,852	1,434,048	1,434,048	1,095,952	1,194,315	1,740,230	1,304,594	980,968
One year later	3,248,602	2,134,925	3,320,294	3,786,406	4,053,763	1,853,377	2,482,488	2,768,106	2,536,953	
Two years later	4,189,403	3,135,250	6,323,408	5,169,466	5,647,981	2,085,152	4,668,354	4,178,258		
Three years later	4,737,111	3,309,064	7,549,628	6,106,886	6,835,600	2,383,841	7,081,902			
Four years later	4,665,109	3,378,616	8,610,027	6,676,427	7,367,448	2,750,344				
Five years later	4,696,129	3,445,784	8,654,189	8,030,678	7,361,962					
Six years later	4,704,177	3,524,912	8,478,124	8,018,959						
Seven years later	4,726,157	3,584,119	8,877,903							
Eight years later	4,742,545	3,584,119								
Nine years later	4,764,105									
5. Reestimated ceeded claims and expenses:	220,000	2,600,000	7,802,792	597,118	530,000	1,750,000	8,810,000	620,000	800,000	1,000,000
6. Reestimated net incurred claims and expenses:										
End of policy year	7,491,405	6,786,259	4,780,599	7,662,439	6,626,828	6,441,025	8,177,443	6,646,766	8,055,161	8,160,938
One year later	6,424,459	4,317,541	7,032,978	8,550,714	6,979,182	4,525,102	6,818,148	6,683,075	6,436,591	
Two years later	6,713,038	3,734,454	8,681,737	7,252,155	7,502,499	3,568,668	7,278,037	6,092,815		
Three years later	5,683,335	3,690,755	8,981,147	7,763,514	7,510,266	3,913,545	9,129,176			
Four years later	5,067,906	3,750,846	9,285,468	7,861,560	7,401,853	3,641,003				
Five years later	5,093,943	3,595,527	8,819,438	8,094,201	7,469,027					
Six years later	4,833,230	3,589,348	8,660,694	8,018,959						
Seven years later	4,840,001	3,584,119	8,625,337							
Eight years later	4,835,907	3,584,119								
Nine years later	4,839,621									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ (2,651,783)	$ (3,202,140)	$ 3,844,738	$ 356,520	$ 842,199	$ (2,800,021)	$ 951,733	$ (553,950)	$ (1,618,570)	$ 0

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2012

PROPERTY PROGRAM

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
1. Required contribution and investment revenue:										
Earned	$ 2,588,734	$ 2,793,936	$ 2,948,320	$ 3,343,606	$ 3,632,987	$ 4,201,850	$ 3,929,012	$ 4,134,371	$ 4,388,687	$ 4,614,323
Ceded	1,432,322	1,798,042	1,867,051	1,826,508	2,004,909	2,227,970	2,251,832	2,643,369	2,855,737	3,050,768
Net earned	1,156,412	995,894	1,081,269	1,517,098	1,628,078	1,973,880	1,677,179	1,491,002	1,532,950	1,563,555
2. Unallocated expenses	345,983	364,468	368,304	369,796	398,495	56,525	92,541	64,839	51,054	73,225
3. Estimated claims and expenses end of policy year:										
Incurred	1,251,842	1,134,940	1,939,157	1,589,407	1,898,330	2,332,725	2,221,251	2,464,985	3,475,186	2,458,165
Ceded	531,000	428,512	525,942	672,468	703,289	1,065,112	1,667,792	1,751,000	2,653,624	1,665,007
Net incurred	720,842	706,428	1,413,215	916,939	1,195,041	1,267,613	553,459	713,985	821,562	793,158
4. Net paid (cumulative) as of :										
End of policy year	572,975	588,256	724,302	617,464	813,264	800,917	464,893	692,003	775,702	661,882
One year later	602,278	586,837	680,147	562,783	648,592	682,101	512,365	694,396	790,438	
Two years later	602,278	611,837	679,872	562,783	731,532	697,498	512,122	689,284		
Three years later	599,478	611,837	679,747	549,471	731,871	696,769	511,822			
Four years later	599,478	611,837	679,472	549,714	733,997	696,769				
Five years later	599,478	611,837	679,222	553,692	733,995					
Six years later	590,728	611,837	678,872	553,692						
Seven years later	590,728	611,837	678,572							
Eight years later	580,878	611,837								
Nine years later	580,878									
5. Reestimated ceeded claims and expenses:	1,475,294	962,625	616,126	418,702	1,882,113	1,375,733	195,301	2,820,716	1,519,562	1,250,447
6. Reestimated net incurred claims and expenses:										
End of policy year	720,842	706,428	1,413,215	916,939	1,195,041	1,267,613	553,459	713,985	821,562	793,158
One year later	602,280	634,444	698,855	562,783	690,516	682,301	522,443	704,286	810,318	
Two years later	602,328	636,837	679,872	562,783	734,009	697,712	514,843	699,244		
Three years later	599,478	611,838	679,748	549,472	734,009	696,769	514,594			
Four years later	599,478	611,837	679,473	549,722	733,997	696,770				
Five years later	599,478	611,837	679,223	553,692	733,995					
Six years later	590,728	611,837	678,872	553,692						
Seven years later	590,728	611,837	678,572							
Eight years later	580,878	611,837								
Nine years later	580,878									
7. (Decrease) in estimated incurred claims and expense from end of policy year	$ (139,964)	$ (94,591)	$ (734,643)	$ (363,247)	$ (461,046)	$ (570,843)	$ (38,865)	$ (14,741)	$ (11,244)	$ 0

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2012

WORKERS' COMPENSATION PROGRAM

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
1. Required contribution and investment revenue:										
Earned	$ 9,778,368	$ 14,877,246	$ 17,912,647	$ 17,822,522	$ 15,593,972	$ 12,148,088	$ 9,765,702	$ 10,712,227	$ 11,998,161	$ 12,134,780
Ceded	705,711	723,416	811,186	709,319	783,738	691,916	494,603	481,560	466,931	419,264
Net earned	9,072,657	14,153,830	17,101,462	17,113,203	14,810,234	11,456,172	9,271,099	10,230,667	11,531,230	11,715,516
2. Unallocated expenses:	3,126,245	3,713,298	3,495,637	3,998,629	2,283,337	2,445,274	2,220,304	1,952,251	1,719,185	968,776
3. Estimated claims and expenses end of policy year:										
Incurred	7,189,200	9,007,011	11,930,997	7,906,844	6,268,068	5,857,450	4,888,910	6,088,843	5,795,152	6,234,310
Ceded	585,000	150,000	450,000	600,000	0	0	0	40,000	230,000	60,000
Net incurred	6,604,200	8,857,011	11,480,997	7,306,844	6,268,068	5,857,450	4,888,910	6,048,843	5,565,152	6,174,310
4. Net paid (cumulative) as of :										
End of policy year	1,120,410	1,107,202	911,448	693,346	933,153	1,074,127	1,285,587	1,473,433	1,316,557	1,512,505
One year later	2,311,967	1,920,217	1,422,036	1,037,637	1,405,383	1,673,630	2,330,555	2,397,814	2,473,734	
Two years later	2,974,796	2,465,404	2,167,424	1,401,183	1,595,606	2,085,838	2,995,227	3,072,147		
Three years later	3,277,992	2,782,903	2,728,731	1,676,493	1,784,855	2,403,800	3,540,747			
Four years later	3,459,926	2,955,704	2,856,007	2,045,001	1,940,339	2,640,404				
Five years later	3,705,963	3,060,551	2,934,179	2,107,194	1,996,710					
Six years later	3,800,150	3,136,992	2,995,906	2,172,929						
Seven years later	3,828,122	3,193,282	3,073,424							
Eight years later	3,859,667	3,277,764								
Nine years later	3,864,425									
5. Reestimated ceeded claims and expenses:	183,165	0	0	0	0	0	0	0	0	0
6. Reestimated net incurred claims and expenses:										
End of policy year	6,604,200	8,857,011	11,480,997	7,306,844	6,268,068	5,857,450	4,888,910	6,048,843	5,565,152	6,174,310
One year later	7,664,189	7,858,543	5,510,957	3,960,203	3,826,938	4,491,065	6,099,868	5,409,694	6,406,747	
Two years later	6,776,650	5,770,975	4,582,367	3,967,718	3,674,253	4,565,633	5,222,307	5,588,999		
Three years later	5,417,550	5,040,683	4,339,313	3,606,324	3,249,121	4,106,558	5,524,329			
Four years later	4,865,364	4,372,382	3,987,428	3,449,072	2,614,453	4,251,724				
Five years later	4,659,668	4,116,532	3,855,472	3,097,203	2,482,261					
Six years later	4,451,602	4,117,277	3,627,083	3,040,809						
Seven years later	4,590,208	4,111,235	3,543,944							
Eight years later	4,462,585	3,859,160								
Nine years later	4,132,806									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ (2,471,394)	$ (4,997,851)	$ (7,937,053)	$ (4,266,035)	$ (3,785,807)	$ (1,605,726)	$ 635,419	$ (459,844)	$ 841,595	$ 0

(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 REVENUE AND EXPENSES BY PROGRAM
CUMULATIVE FROM INCEPTION THROUGH SEPTEMBER 30, 2012

	LIABILITY	DAM FAILURE	PROPERTY	PASS - THROUGHS	WORKERS' COMP	STORAGE TANKS	UTEL	TOTAL
REVENUE:								
Deposit Premiums Earned	$ 326,382,053	$ 10,998,994	$ 62,257,777	$ 5,480,167	$ 150,255,216	$ 1,223,081	$ 357,585	$ 556,954,873
Net Investment & Other Income	41,742,944		3,028,092		13,697,874	245,296	71,745	58,785,951
Less: Doubtful Recoveries	(1,789,128)				(3,000)			(1,792,128)
Total Revenue	366,335,869	10,998,994	65,285,869	5,480,167	163,950,090	1,468,377	429,330	613,948,696
EXPENSES:								
Paid Claims - JPIA - Primary	137,860,437	0	10,048,869	0	49,943,438	28,119	256,404	198,137,267
Expected "Aggregate" Excess Insur.Recoveries	(2,175,556)		0		0			(2,175,556)
Reserves for Reported Claims - Primary	6,423,708		406,748		8,507,212			15,337,668
Reserves for IBNR Claims/Claims Dev. - Primary	9,838,187		4,328		11,560,448			21,402,963
Unallocated Loss Adj. Expense	398,664		20,862		1,698,244			2,117,770
Claims Expense Sub-Total	152,345,440	0	10,480,807	0	71,709,342	28,119	256,404	234,820,112
Purchased Excess Insurance	94,392,523	10,852,113	33,208,797	5,121,141	13,531,800	568,997	200,716	157,876,087
General & Administrative Expenses	49,004,184	146,881	6,694,878	359,026	35,432,290	61,825	30,419	91,729,503
Total Expenses	295,742,147	10,998,994	50,384,482	5,480,167	120,673,432	658,941	487,539	484,425,702
Catastrophic Fund Contributions	33,534,020				12,875,076	122,301	35,759	46,567,156
Self Insured Excess Fund	2,346,634				2,226,480			4,573,114
Approriated Catastrophic Funds for Members	(680,806)				0			(680,806)
EXCESS REVENUE OVER EXPENSES								
Retro Prem Adj (Due From Member)	$ 35,393,874	$ (0)	$ 14,901,387	$ (0)	$ 28,175,102	$ 687,135	$ (93,968)	$ 79,063,530

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.

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.

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 Ten Fiscal Years

	Fiscal Year September 30,									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Assets										
Current assets	$ 53,332,190	$ 36,935,218	$ 32,566,115	$ 75,048,968	$ 90,677,479	$ 69,852,266	$ 74,941,366	$ 48,403,357	$ 47,799,175	$ 76,819,567
Noncurrent assets	20,551,594	46,356,900	59,091,461	27,167,262	20,799,234	48,012,298	49,125,661	79,562,048	78,970,791	111,214,183
TOTAL ASSETS	73,883,784	83,292,118	91,657,576	102,216,230	111,476,713	117,864,564	124,067,027	127,965,405	126,769,966	188,033,750
Liabilities										
Current liabilities	29,208,311	29,646,838	36,876,348	29,496,534	36,651,610	35,783,642	38,564,342	38,507,711	41,867,839	60,219,720
Noncurrent liabilities	24,838,629	32,432,476	29,753,515	43,852,343	43,299,236	43,720,624	45,429,021	45,455,820	37,590,083	40,450,696
TOTAL LIABILITIES	54,046,940	62,079,314	66,629,863	73,348,877	79,950,846	79,504,266	83,993,363	83,963,531	79,457,922	100,670,416
Net Assets										
Invested in capital assets	1,208,505	1,182,266	1,119,835	1,039,286	964,200	875,335	978,142	4,974,593	6,862,991	6,904,191
Unrestriced	18,628,339	20,030,538	23,907,878	27,828,067	30,561,667	37,484,963	39,095,522	39,027,281	40,449,053	80,459,143
TOTAL NET ASSETS	$ 19,836,844	$ 21,212,804	$ 25,027,713	$ 28,867,353	$ 31,525,867	$ 38,360,298	$ 40,073,664	$ 44,001,874	$ 47,312,044	$ 87,363,334

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Last Ten Fiscal Years

	Fiscal Year Ended September 30,									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
REVENUES										
Member premiums	$ 24,954,395	$ 29,615,344	$ 30,917,293	$ 34,421,079	$ 30,636,804	$ 31,155,506	$ 29,469,780	$ 30,328,626	$ 32,175,664	$ 60,219,073
Retrospective premium adjustments	4,085,368	(3,497,666)	(7,944,835)	(17,257,023)	(11,224,912)	(4,279,423)	(8,387,426)	(3,276,537)	(4,026,190)	(1,782,760)
TOTAL OPERATING REVENUES	29,039,763	26,117,678	22,972,458	17,164,056	19,411,892	26,876,083	21,082,354	27,052,089	28,149,474	58,436,313
EXPENSES										
Claims paid	9,933,731	8,712,505	8,308,231	8,422,347	10,361,897	10,075,155	9,134,958	9,818,161	12,316,974	27,272,010
Change in excess aggregate recovery	(92,571)	(52,985)	0	0	(95,777)	0	(88,462)	(87,603)	(215,529)	(8,186)
Change in claim reserves	934,116	4,270,269	(3,210,048)	(1,379,012)	(448,216)	(1,086,328)	2,281,381	2,112,946	(451,162)	395,087
Change in claims incurred but not reported	6,686,097	582,625	2,847,345	(2,336,107)	(917,405)	(642,041)	(65,834)	352,164	383,658	3,058,785
Change in unallocated loss adjustment expenses	832,613	572,586	478,982	(431,939)	(161,063)	(109,356)	63,789	133,186	(153,673)	86,653
TOTAL CLAIMS EXPENSE	18,293,986	14,085,000	8,424,510	4,275,289	8,739,436	8,237,430	11,325,832	12,328,854	11,880,268	30,804,349
Excess insurance	5,710,834	7,452,496	7,584,856	7,443,235	7,974,435	8,447,857	8,439,434	8,350,340	8,507,507	17,301,864
General and administrative	3,438,531	3,953,155	4,108,304	4,414,648	4,453,752	4,837,353	5,841,653	5,278,142	5,664,370	6,641,962
Depreciation	69,376	94,642	102,237	95,289	87,086	88,865	57,051	51,921	234,085	322,936
TOTAL OPERATING EXPENSES	27,512,727	25,585,293	20,219,907	16,228,461	21,254,709	21,611,505	25,663,970	26,009,257	26,286,230	55,071,111
OPERATING INCOME (LOSS)	1,527,036	532,385	2,752,551	935,595	(1,842,817)	5,264,578	(4,581,616)	1,042,832	1,863,244	3,365,202
SPECIAL ITEM										
Net assets acquired from merger										34,986,207
NONOPERATING REVENUES AND EXPENSES										
Net investment income	938,991	843,575	910,121	2,894,232	4,501,331	1,569,853	6,294,982	2,885,378	1,446,926	1,699,881
Other	(814)	0	0	9,813	0	0	0	0	0	0
CHANGE IN NET ASSETS	$ 2,465,213	$ 1,375,960	$ 3,662,672	$ 3,839,640	$ 2,658,514	$ 6,834,431	$ 1,713,366	$ 3,928,210	$ 3,310,170	$ 40,051,290

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-Througs	Workers' Compensation	Underground Storage Tanks	UTEL	Employee Benefits	Change in Rate Stabilization Fund	Totals
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%		-2.26%	
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%		-2.56%	
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%		-2.17%	
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%		13.68%	
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%	
2009-10	11,993,302	272,341	3,431,116	263,801	12,222,543	10,822	0		1,743,542	29,937,467
	40.06%	0.91%	11.46%	0.88%	40.83%	0.04%	0.00%		5.82%	
2010-11	18,307,796	272,341	3,785,935	258,198	6,963,609	9,747	0		(1,226)	29,596,400
	61.86%	0.92%	12.79%	0.87%	23.53%	0.03%	0.00%		0.00%	
2011-12	17,338,107	258,944	4,068,841	246,167	11,235,128	12,269	0	$ 26,901,485	75,253	60,136,194
	28.83%	0.43%	6.77%	0.41%	18.68%	0.02%	0.00%	44.73%	0.13%	

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

EXPENSES BY PROGRAM

For the Fiscal Year Ending September 30,

Fiscal Year	Liability	Dam	Property	Pass-Througs	Workers' Compensation	Underground Storage Tanks	UTEL	Employee Benefits	OPEB Reclass Not Allocated	Totals
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%	46.37%	0.04%		0.00%	
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%		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%		-27.00%	
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%	28.34%	0.03%	0.00%		1.08%	
2009-10	11,206,756	272,341	3,431,116	263,801	10,826,804	8,439	0		0	26,009,257
	43.09%	1.05%	13.19%	1.01%	41.63%	0.03%	0.00%		0.00%	
2010-11	16,161,779	272,341	3,785,935	258,198	5,797,445	10,532	0		0	26,286,230
	61.48%	1.04%	14.40%	0.98%	22.06%	0.04%	0.00%		0.00%	
2011-12	14,478,675	258,944	4,068,841	246,167	10,632,214	10,532	0	$ 25,375,738	0	55,071,111
	26.29%	0.47%	7.39%	0.45%	19.31%	0.02%	0.00%	46.08%	0.00%	

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

SCHEDULE OF RATE STABILIZATION FUND ACTIVITY

For the Fiscal Years Ending September 30

Fiscal Year		2003	2004	2005 **	2006	2007	2008	2009	2010	2011	2012
Liability											
Payroll Adjustments	*	$ (151,463)	$ (273,528)	$ 0	$ (950,168)	$ (194,895)	$ (424,268)	$ (417,934)	$ (360,462)	$ (233,722)	$ (41,178)
RPA's	*	2,438,571	1,201,922	0	2,796,161	1,065,131	4,205,849	(1,500,203)	1,598,011	1,602,017	(414,298)
10% Program	*	0	0	0	0	(912,697)	(453,659)	(610,203)	(546,891)	(1,165,719)	(1,006,330)
Cat Funds	*	0	979,257	0	0	0	0	997,823	1,000,197	0	0
Property											
RPA's	*	584,465	554,540	0	442,540	229,549	19,494	34,265	593,611	496,479	770,282
Workers' Comp											
RPA's	*	(507,759)	(1,907,977)	0	(2,190,329)	472,072	3,009,393	6,489,431	7,473,796	5,745,357	5,120,265
Underground - Storage Tanks											
RPA's	*	0	0	0	0	0	0	169,480	0	10,713	0
Cat Funds	*	0	0	0	0	0	0	40,274	0	2,521	0
UTEL											
RPA's	*	0	0	0	0	0	(93,969)	0	0	0	0
Cat Funds	*	0	0	0	0	0	0	35,762	0	0	0
Totals		$ 2,363,814	$ 554,214	$ 0	$ 98,204	$ 659,160	$ 6,262,840	$ 5,238,695	$ 9,758,262	$ 6,457,647	$ 4,428,741
Cash Flow											
Members Billed		261,345	91,169	316,594	683,283	236,074	59,044	56,923	0	89	2,766
Self Insured Fund into RSF											4,573,112
Refunds to Members		(765,889)	(1,155,928)	(858,004)	(1,297,915)	(1,416,305)	(2,428,441)	(3,671,934)	(8,014,717)	(6,458,960)	(4,356,252)
Net Total		$ 1,859,270	$ (510,545)	$ (541,410)	$ (516,428)	$ (521,071)	$ 3,893,443	$ 1,623,684	$ 1,743,545	$ (1,225)	$ 4,648,367

* 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Liability										
Total Number of Claims (Cumulative)	7,686	8,018	8,352	8,717	9,015	9,275	9,551	9,769	10,063	10,309
Closed Claims (Cumulative)	7,470	7,805	8,139	8,480	8,806	9,130	9,381	9,598	9,897	10,158
Open Claims (at year end)	216	213	213	237	209	145	170	171	166	151
Covered Payroll (Cumulative)	$ 4,200,897	$ 4,540,129	$ 4,905,511	$ 5,273,435	$ 5,738,277	$ 6,139,822	$ 6,577,859	$ 7,029,623	$ 7,482,521	$ 7,970,475
Property										
Total Number of Claims (Cumulative)	1,250	1,337	1,420	1,502	1,605	1,713	1,801	1,888	1,978	2,079
Closed Claims (Cumulative)	1,226	1,309	1,393	1,482	1,573	1,681	1,775	1,857	1,944	2,030
Open Claims (at year end)	24	28	27	20	32	32	26	31	34	49
Covered Payroll (Cumulative)	$ 24,686,397	$ 27,113,021	$ 29,827,752	$ 32,785,344	$ 34,563,800	$ 38,127,056	$ 41,376,694	$ 45,367,786	$ 49,613,566	$ 54,070,573
Workers' Compensation										
Total Number of Claims (Cumulative)	5,124	5,589	5,985	6,384	6,775	7,194	7,613	7,978	8,435	8,808
Closed Claims (Cumulative)	4,681	5,125	5,621	6,056	6,434	6,806	7,213	7,562	7,996	8,378
Open Claims (at year end)	443	464	364	328	341	388	400	416	439	430
Covered Payroll (Cumulative)	$ 1,937,609	$ 2,251,826	$ 2,555,200	$ 2,871,939	$ 3,318,109	$ 3,706,551	$ 4,110,740	$ 4,510,594	$ 4,922,605	$ 5,350,300
Number of Employees	35	35	34	36	37	37	38	39	39	39
Ratio of Premium to Payroll/TIV										
Liability Program	3.78%	3.93%	3.78%	4.12%	3.67%	3.64%	3.60%	3.56%	4.14%	4.09%
Property Program	0.16%	0.13%	0.13%	0.12%	0.13%	0.12%	0.11%	0.11%	0.12%	0.12%
Workers' Comp. Program	4.04%	4.55%	4.39%	3.73%	2.68%	2.46%	2.34%	2.40%	2.82%	2.81%

Association of California Water Agencies
Joint Powers Insurance Authority
Demographic Statistics by Employer

Employer	2011 Number of Employees	2011 Rank	2011 Percentage of Total City Employees	2002 Number of Employees	2002 Rank	2002 Percentage of Total City Employees
Kaiser Permanente	4,430	1	6.5%	2,294	2	3.6%
Hewlett-Packard	3,200	2	4.7%	6,000	1	9.4%
Sutter Roseville Medical Center	1,654	3	2.4%	1,425	3	2.2%
Roseville Joint Union High School District	1,299	4	1.9%	1,000	5	1.6%
City of Roseville	1,230	5	1.8%	941	6	1.5%
Union Pacific Railroad	1,118	6	1.6%	1,294	4	2.0%
Roseville Elementary School District	929	7	1.4%			n/a
Wal-Mart (2 stores)	790	8	1.2%			n/a
PRIDE Industries	661	9	1.0%			n/a
Telefunken Semiconductors America	640	10	0.9%			n/a
Subtotal	15,951		23.4%	12,954		20.3%
Total Employment*	68,130			64,117		

*Total Employment as used above represents the total employment of all employees located within the City of Roseville, which is the office location of the JPIA.

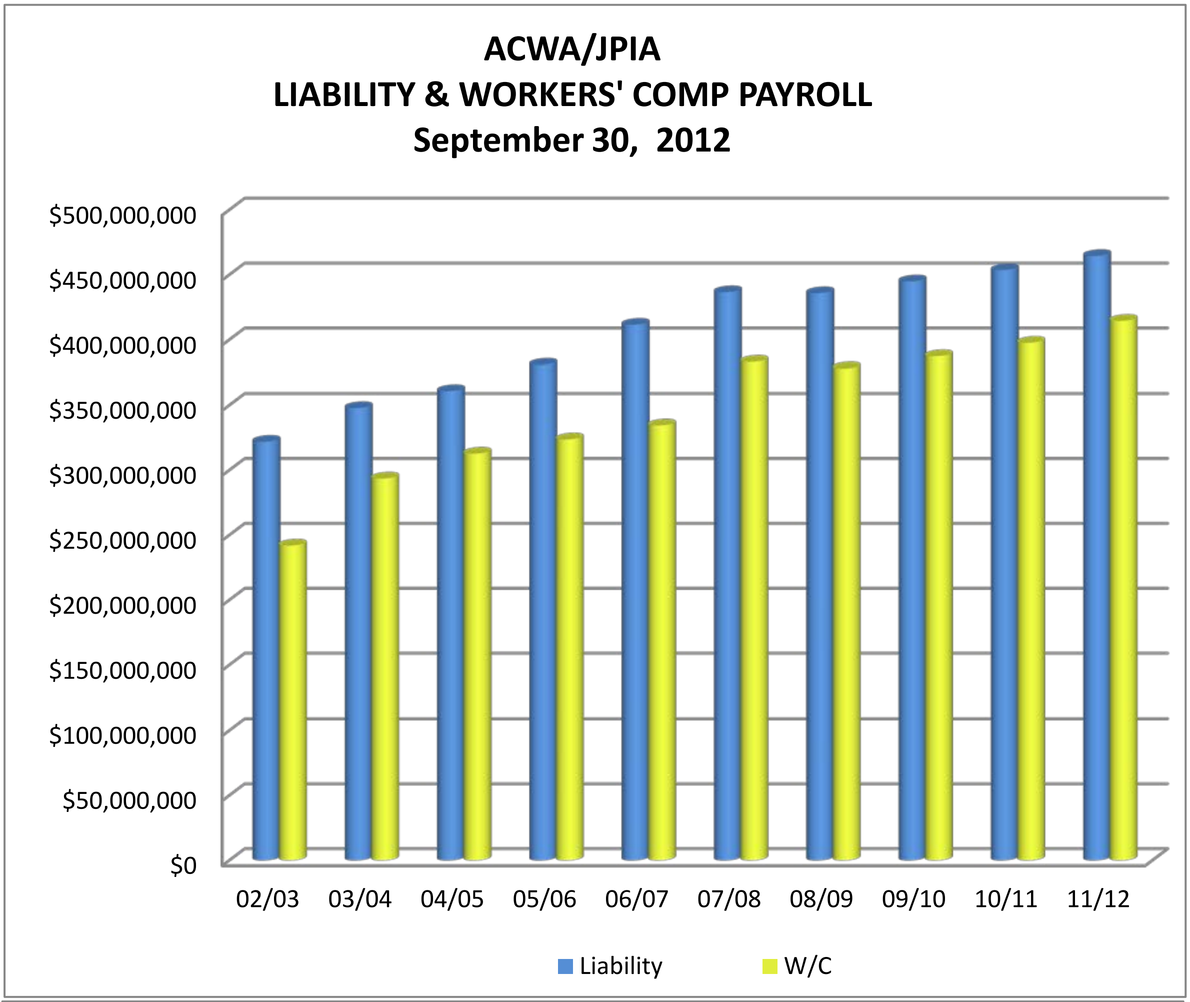
Note--Fiscal year 2012 data not available, therefore, the most recent data available is presented.

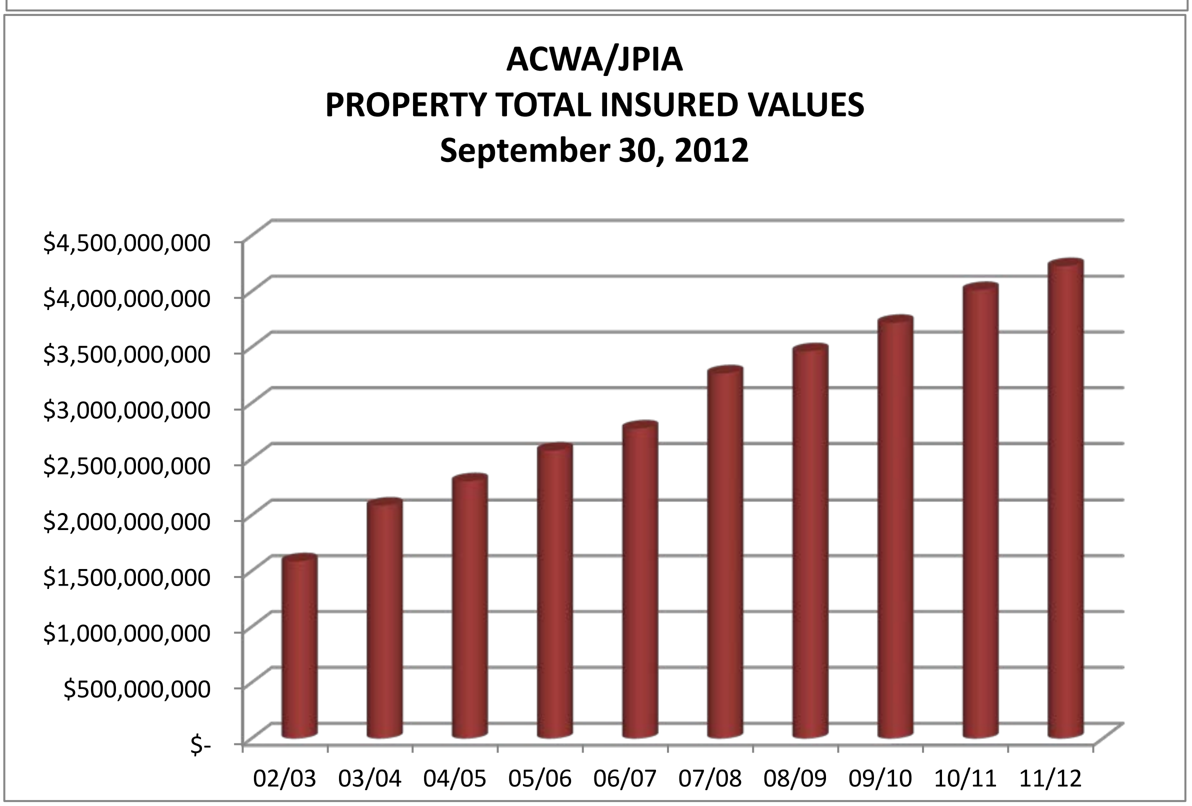
Association of California Water Agencies
Joint Powers Insurance Authority
Demographic Statistics by Population

Fiscal Year	City of Roseville Population	County Total Personal Income (a)	County Per Capita Personal Income	Unemployment Rate	Placer County Population	City Population % of County
2002	85,800	$10,209,270	$36,604	4.8%	265,700	32.29%
2003	90,700	10,946,842	37,303	4.9%	275,600	32.91%
2004	96,600	11,933,069	38,958	4.5%	292,235	33.06%
2005	102,191	13,070,082	41,248	4.0%	305,675	33.43%
2006	104,655	14,247,775	43,937	4.2%	316,508	33.07%
2007	106,266	15,101,855	45,471	4.9%	324,495	32.75%
2008	109,154	16,252,937	47,657	6.6%	333,401	32.74%
2009	112,343	15,898,900	45,614	10.6%	339,577	33.08%
2010	115,781	(b)	(b)	11.3%	347,102	33.36%
2011	120,593	(b)	(b)	11.4%	(b)	(b)

(a) In thousands of dollars
(b) Information not available

Note--The JPIA's office located in the City of Roseville. Fiscal year 2012 data not available, therefore, the most recent data available is presented.


ACWA/JPIA
LIABILITY & WORKERS' COMP PAYROLL
September 30, 2012
$500,000,000
$450,000,000
$400,000,000
$350,000,000
$300,000,000
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$0
02/03
03/04
04/05
05/06
06/07
07/08
08/09
09/10
10/11
11/12
Liability
W/C


ACWA/JPIA
PROPERTY TOTAL INSURED VALUES
September 30, 2012
$4,500,000,000
$4,000,000,000
$3,500,000,000
$3,000,000,000
$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$-
02/03
03/04
04/05
05/06
06/07
07/08
08/09
09/10
10/11
11/12

OTHER INDEPENDENT AUDITORS' REPORT

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

Board of Directors
Association of California Water Agencies
Joint Powers Insurance Authority
Roseville, 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, 2012, and have issued our report thereon dated February 1, 2013. The report includes a special emphasis paragraph related to the establishment of the Employee Benefits Program. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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.*

We have also issued a separate Memorandum on Internal Control dated February 1, 2013 which is an integral part of our audit and should be read in conjunction with this report.

This report is intended for the information of the Board and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Maze & Associates

February 1, 2013