Finance & Audit Committee Meeting

YOUR BEST PROTECTION

ACWA JPIA Executive Conference Room
2100 Professional Drive
Roseville, CA 95661

Tuesday
February 28, 2017
1:00 P.M.

Chairman: Tom Scaglione, Vallecitos Water District

Carrie Corder, Cucamonga Valley Water District

Suha Kilic, Pebble Beach Community Services District

Dennis Michum, Glenn-Colusa Irrigation District

Kevin Phillips, Paradise Irrigation District

Steve Ruettgers, Kern County Water Agency

Jim Smith, Wheeler Ridge-Maricopa Water Storage District

FINANCE & AUDIT COMMITTEE MEETING

AGENDA

JPIA Executive Conference Room
2100 Professional Drive, Roseville, CA 95661
(800) 231-5742 - WWW.ACWAJPIA.COM

Tuesday, February 28, 2017, 1:00 PM

WebEx call-in: **(855) 749-4750;** Access code: 807 536 513**;** Password: **1234**
This meeting shall consist of a simultaneous WebEx teleconference call at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Chairman: Tom Scaglione - 201 Vallecitos de Oro, San Marcos
- Corder – 10440 Ashford Street, Rancho Cucamonga
- Kilic – 3101 Forest Lake Road, Pebble Beach
- Ruettgers – 3200 Rio Mirada Drive, Bakersfield
- Smith – 12109 Highway 166, Bakersfield

WELCOME

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

ANNOUNCEMENT RECORDING OF MEETING This meeting may be recorded to assist in preparation of minutes. Recordings will only be kept 30 days following the meeting, as mandated by the California Brown Act.

EVACUATION PROCEDURES

PUBLIC COMMENT Members of the public will be allowed to address the Finance & Audit Committee on any agenda item prior to the Committee's decision on the item. They will also be allowed to comment on any issues that they wish which may or may not be on the agenda. If anyone present wishes to be heard, please let the Chairman know.

INTRODUCTIONS

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Presenter				Page#
Scaglione	*	**I.**	Approval of minutes of the meetings of August 29, 2016 and October 4, 2016.	**1**
All		**II.**	Report on meetings attended on behalf of the JPIA.	

Presenter				Page#
deBernardi	*	**III.**	Review and take action on Comprehensive Annual Financial Report for Year Ended September 30, 2016	**8**
	*	**IV.**	Announce next meeting date: March 20, 2016.	

ADJOURN

*****Related items enclosed.

Americans With Disabilities Act – *The JPIA conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the Federal Rules and Regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the JPIA, shall be made to: Cece Reynolds, Accountant II, ACWA JPIA, PO Box 619082, Roseville, CA 95661-9082; telephone (916) 786-5742. The JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m. (Government Code Section 54954.2, subdivision. (a)(1).)*

Written materials relating to an item on this Agenda that are distributed to the JPIA's Finance & Audit Committee within 72 hours before it is to consider the item at its regularly scheduled meeting will be made available for public inspection at the JPIA, 2100 Professional Drive, Roseville, CA 95661-3700; telephone (916) 786-5742. The JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m.

Preliminary Agenda-date issued: February 9, 2017
Final Agenda-date issued: February 17, 2017

Unapproved Minutes

Finance & Audit Committee Meeting

ACWA JPIA Executive Conference Room
2100 Professional Drive,
Roseville, CA 95661
(800) 231-5742

August 29, 2016

This meeting consisted of a simultaneous WebEx teleconference call at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Corder – 10440 Ashford Street, Rancho Cucamonga
- Kilic – 3101 Forest Lake Road, Pebble Beach
- Ruettgers – 3200 Rio Mirada Drive, Bakersfield
- Smith – 3200 Rio Mirada Drive, Bakersfield

MEMBERS PRESENT

Chairman: Tom Scaglione, Vallecitos Water District
Carrie Corder, Cucamonga Valley Water District *(via WebEx - @ 1:40 p.m.)*
Suha Kilic, Pebble Beach Community Services District *(via WebEx - left 2:15 p.m.)*
Dennis Michum, Glenn-Colusa Irrigation District
Kevin Phillips, Paradise Irrigation District
Steve Ruettgers, Kern County Water Agency *(via WebEx)*
Jim Smith, Wheeler Ridge-Maricopa Water Storage District *(via WebEx)*

MEMBERS ABSENT

None.

STAFF PRESENT

Chief Executive Officer/Secretary: Walter “Andy” Sells
David deBernardi, Director of Finance
Robert Greenfield, General Counsel
John Haaf, Risk Management Manager
Jennifer Nogosek, Liability and Property Claims Manager
Cece Reynolds, Accountant II (Recording Secretary)
Patricia Slaven, Training Manager
Sandra Smith, Employee Benefits Manager
Dan Steele, Sr. Accountant
Dianna Sutton, Finance Manager
Karen Thesing, Director of Insurance Services
Melody Tucker, Workers’ Compensation Claims Manager
Bobbette Wells, Executive Assistant to the CEO

OTHERS IN ATTENDANCE

Tom Cuquet, South Sutter Water District
Billy Deeb, JPIA Insurance Broker, AON Risk & Insurance Services
David Drake, Rincon del Diablo Municipal Water District
E.G. “Jerry’ Gladbach, Castaic Lake Water Agency
Brent Hastey, ACWA Vice President, Yuba County Water Agency
David Hodgin, Scotts Valley Water District
W.D. “Bill” Knutson, Yuima Municipal Water District
Melody McDonald, San Bernardino Valley Water Conservation District
Sarah Meacham, PFM Asset Management
Charles Muse, Helix Water District
Bruce Rupp, Humboldt Bay Municipal Water District

WELCOME

Chairman Scaglione welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Scaglione called the meeting to order at 1:22 p.m. He announced there was a quorum.

ANNOUNCEMENT RECORDING OF MINUTES

Chairman Scaglione announced that the meeting would be recorded to assist in preparation of minutes. Recordings are only kept 30 days following the meeting, as mandated by the California Brown Act.

PUBLIC COMMENT

Chairman Scaglione noted that, as the agenda stated, members of the public would be allowed to address the Finance & Audit Committee on any agenda item prior to the Committee’s decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

INTRODUCTIONS

Chairman Scaglione welcomed all in attendance.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chairman Scaglione asked for any additions to, or deletions from, the agenda; none requested.

APPROVAL OF MINUTES

Chairman Scaglione called for approval of the minutes of the March 29, 2016; April 26, 2016; and July 7, 2016 meetings.

> M/S/C (Phillips/Michum) (Corder-Yes; Kilic-Yes; Michum-Yes; Phillips-Yes; Ruettgers-Yes; Smith-Yes; Scaglione-Yes): That the Finance & Audit Committee approve the minutes of the March 29, 2016; April 26, 2016; and July 7, 2016 meetings.

MEETINGS ATTENDED ON BEHALF OF THE JPIA

None reported.

LONG-TERM INVESTMENT PORTFOLIO UPDATE

Ms. Meacham began her presentation with an overview of the economy, labor market and a 2016 second quarter review of JPIA's portfolio. The diversification of the portfolio and maturity distribution was also discussed.

The JPIA's total return on the portfolio since inception has been above the Bank of America/Merrill Lynch 1-5 Year U.S. Government Index benchmark. The portfolio is well diversified and is comprised of high quality securities and has outperformed the benchmark by an annual average of 0.31% since inception.

EXTENDING LONG-TERM INVESTMENT PORTFOLIO DURATION

Mr. deBernardi discussed the possibility of extending Long-Term Investment portfolio duration. As a public entity, the JPIA is subject to the California investment codes. In general, the investment codes limits the maturity of investments to five years or less. Investments with maturities greater than five years can be made if given authority by the JPIA's governing board.

The JPIA holds approximately $65 million in its Catastrophic Funds and Employee Benefits Reserve Fund. The JPIA could safely invest a portion of these funds for a duration greater than 5 years. Given the nature of these monies, investing beyond five years could provide greater returns on investments

The Committee recommended future research on this subject, and if implemented, to make monthly investments to slowly build up to a limit of 25% of available funds.

INVESTMENT POLICY

The JPIA's Investment Policy is evaluated on an annual basis and approved annually by the Board of Directors at the JPIA's Fall Conference. The current Investment Policy was approved by the Board of Directors in December 2015. After review by staff and the JPIA's investment advisor, there were no proposed changes to the current policy.

The Finance & Audit Committee recommend approval of the Investment Policy to the Executive Committee and final approval by the Board of Directors at Fall Conference.

> M/S/C (Phillips/Michum) (Corder-Yes; Michum-Yes; Phillips-Yes; Ruettgers-Yes; Smith-Yes; Scaglione-Yes): That the Finance & Audit Committee recommend that the Executive Committee approve the Investment Policy as presented, with final approval of the Board of Directors at the Fall Conference.

MISCELLANEOUS

Future Agenda Items
None stated.

Availability for Upcoming Meeting(s)
The next scheduled Finance & Audit Committee meeting will be a call-in meeting with the Auditors, October 4, 2016 at 1:00 p.m. No conflicts were noted.

The Finance & Audit Committee meeting adjourned at 2:46 p.m.

Unapproved Minutes

Finance & Audit Committee Special Meeting

ACWA JPIA Conference Room B
2100 Professional Drive,
Roseville, CA 95661
(800) 231-5742

October 4, 2016

This meeting consisted of a simultaneous WebEx teleconference call at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Chairman: Thomas Scaglione, 201 Vallecitos de Oro, San Marcos
- Corder – 10440 Ashford Street, Rancho Cucamonga
- Michum – 344 East Laurel Street, Willows
- Phillips – 6332 Clark Road, Paradise
- Ruettgers – 3200 Rio Mirada Drive, Bakersfield

MEMBERS PRESENT

Chairman: Thomas Scaglione, Vallecitos Water District *(via WebEx)*
Carrie Corder, Cucamonga Valley Water District *(via WebEx)*
Dennis Michum, Glenn-Colusa Irrigation District *(via WebEx)*
Kevin Phillips, Paradise Irrigation District *(via WebEx)*
Steve Ruettgers, Kern County Water Agency *(via WebEx)*

MEMBERS ABSENT

Suha Kilic, Pebble Beach Community Services District
Jim Smith, Wheeler Ridge-Maricopa Water Storage District

STAFF PRESENT

Chief Executive Officer/Secretary: Walter “Andy” Sells
David deBernardi, Director of Finance
Erik Kowalewski, Systems/Network Administrator
Cece Reynolds, Accountant II (Recording Secretary)
Dan Steele, Senior Accountant
Dianna Sutton, Finance Manager
Karen Thesing, Director of Insurance Services
Melody Tucker, Workers’ Compensation Claims Manager *(via WebEx)*

OTHERS IN ATTENDANCE

David Drake, Rincon del Diablo Municipal Water District *(via WebEx)*
E.G. “Jerry” Gladbach, Castaic Lake Water Agency *(via WebEx)*
Brent Hastey, ACWA Vice President *(via WebEx)*
Melody McDonald, San Bernardino Valley Water Conservation District *(via WebEx)*
Kevin Wong, Gilbert Associates, Inc.

WELCOME

Chairman Scaglione welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Scaglione called the meeting to order at 1:05 p.m. He announced there was a quorum. Chairman Scaglione then thanked the Committee Members and Staff for making themselves available for the meeting on short notice.

ANNOUNCEMENT RECORDING OF MINUTES

Chairman Scaglione announced that the meeting would be recorded to assist in preparation of minutes. Recordings are only kept 30 days following the meeting, as mandated by the California Brown Act.

PUBLIC COMMENT

Chairman Scaglione noted that, as the agenda stated, members of the public would be allowed to address the Executive Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

INTRODUCTIONS

Chairman Scaglione welcomed all in attendance.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chairman Scaglione asked for any additions to, or deletions from, the agenda; none noted.

AUDIT ENTRANCE MEETING

Mr. deBernardi introduced Mr. Wong with Gilbert Associates, Inc. whose company has been hired to perform the JPIA audits for the next five years starting with fiscal year end September 30, 2016.

Mr. Wong presented a handout to those in attendance which included the Audit Deliverables and Timeline, the Evaluation of Risk and Materiality, Communications with those charged with Governance and a list of the Engagement Team responsible for JPIA's audit. Mr. Wong reviewed all information and answered any questions brought forward by the Finance Committee members and Executive Committee members for discussion.

MISCELLANEOUS

Future Agenda Items
None stated.

Availability for Upcoming Meeting(s)
The next scheduled Finance & Audit Committee meeting is tentatively scheduled for Monday, February 6, 2017. No conflicts were noted.

The Finance & Audit Committee meeting adjourned at 1:33 p.m.

ACWA JPIA
Audited Financial Statements Year Ending September 30, 2016
February 28, 2017

BACKGROUND
Each year the JPIA provides for an independent audit of the JPIA's financial statements. Gilbert Associates performed the annual audit of the JPIA for the fiscal year of October 1, 2015 through September 30, 2016.

CURRENT SITUATION
The JPIA is expecting to receive an unmodified opinion. The drafted opinion states that the financial statements present fairly, in all material respects, the financial position of the JPIA as of September 30, 2016, and the results of its operations and cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

As in the previous year, the JPIA prepared a Comprehensive Annual Financial Report (CAFR) in accordance with the Government Finance Officers Association (GFOA) standards. Management intends to submit this report to the GFOA for review in order to again obtain a Certificate of Achievement for Excellence in Financial Reporting. Consequently, the annual report has additional reports therein to meet these high standards.

RECOMMENDATION
That the Finance & Audit Committee approve the 2015/16 audited financial statements as presented and forward to the Executive Committee for approval.

ASSOCIATION OF CALIFORNIA WATER AGENCIES

JOINT POWERS INSURANCE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2016

Prepared by

THE JPIA FINANCE DEPARTMENT

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Year Ended September 30, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION

February 3, 2017

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 (ACWA JPIA) for the year ended September 30, 2016, is hereby respectfully submitted. ACWA 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 ACWA 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 ACWA 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 ACWA JPIA's financial affairs have been included.

Gilbert Associates, a firm of licensed certified public accountants, has audited ACWA JPIA's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of ACWA JPIA for the fiscal year ended September 30, 2016, 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 unmodified opinion that ACWA JPIA's financial statements for the fiscal year ended September 30, 2016 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

ACWA 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.

ACWA JPIA is dedicated to consistently and cost effectively providing the broadest possible affordable insurance coverages and related services to its member agencies. ACWA 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, ACWA JPIA continues to provide members with a training library to help prevent losses.

As of September 30, 2016, ACWA JPIA had 364 members. Each member selects one representative to serve as a director on the ACWA JPIA Board of Directors. From this body, eight members are elected to serve with staggered terms as members of ACWA 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.

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

LOCAL ECONOMY

The national economy has been recovering from a recession recently at a steady rate. From October 2014 through September 2015, the national unemployment rate remained unchanged at 5%. Meanwhile in the State of California, the unemployment rate went from 5.9% in September 2015 to 5.5% at the end of September 2016. This data points to a continuing trend where the California economy is rebounding more rapidly than the nation as the gap between the unemployment rates narrows. This bounce-back continues despite the shadow cast by one of California's worst recorded droughts. The closely watched *UCLA Anderson Forecast* predicts jobs to grow by 1.5% in the state during 2017 and just .8% in 2018. This illustrates that the rebounding is likely to continue tapering off in the future. In the City of Roseville, where the JPIA office resides, the unemployment rate moved from 5.3% in September 2015 to 5.1% in September 2016 - again a positive trend. With the exception of modest investment income, ACWA JPIA has avoided significant financial changes as a result of the recent economic recession that the nation has a whole has been enduring. Staffing continues to be stable within ACWA JPIA. Since fiscal year 2012 ACWA JPIA employees have enlarged from 42 to 49 in fiscal year 2016. ACWA JPIA increased its employee count in a time when many other organizations had been downsizing. This was mostly due to the addition of the Employee Benefits Program in 2012. ACWA JPIA again was able to continue its operations during fiscal year ended September 30, 2016 without any rate increases to its members in the Liability, Property, or Workers' Compensation Programs.

LONG-TERM FINANCIAL PLANNING

In August of 2015, the ACWA JPIA Executive Committee approved a goal for reserves in the Employee Benefits Program. This goal was set using an actuary estimate of incurred but not reported losses 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 the most recent actuarial report, the Employee Benefits Reserve Fund was capped at $18.5 million. ACWA JPIA management intends to budget the program accordingly in the future years to bring the current reserves to the stated goal.

In August of 2013, ACWA JPIA held a strategic planning meeting with its Executive Committee. The purpose of this meeting was to better develop plans for the future. Establishing relationships, communication, expansion of services, marketing and exploring different layers of self-insured retentions were the topics discussed at the strategic planning meeting. There were no actions taken by ACWA JPIA Executive Committee as a result of this meeting.

In September 2012, ACWA 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 Reserve 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 Reserve Fund consists of funds set aside to be used in time of need. Such funds are subject to ACWA JPIA Executive Committee approval and are most likely to be used when ACWA JPIA experiences adverse claims experience. The Catastrophic Reserve Fund is capped at ultimate losses estimated by the actuary for all open policy years using a 99% confidence level. Based on recent actuarial reports, the Catastrophic Reserve Fund was capped at $38.9 million – an increase of $1.4 million from prior year.

Management believes the above funding policy covers a great deal of scenarios that the future could hold and thus is confident these goals are best for the organization.

ACWA JPIA owns its building and does not foresee any significant capital projects related to buildings or structures.

INTERNAL ACCOUNTING CONTROLS

ACWA 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 an enterprise fund.

ACWA 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 ACWA 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 ACWA 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 ACWA JPIA for its comprehensive annual financial report for the fiscal year ended September 30, 2015. 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 JPIA is a member of the California Association of Joint Powers Authorities (CAJPA). CAJPA sponsors the nation's first risk management accreditation program. This program establishes a model of professional standards, which serves as a guideline for all risk management pools regardless of size, scope of operation or membership structure. The accreditation process entails a detailed examination of legal and operational documents, risk management, loss control and claims programs, and statutory compliance by an independent examiner. The JPIA has received CAJPA's "Accreditation with Excellence," the highest form of accreditation, for a three-year period ending in May, 2018.

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 ACWA JPIA's Finance & Audit Committee and Executive Committee for their support in maintaining the highest standards of professionalism in the management of ACWA 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 ACWA 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, 2016

EXECUTIVE COMMITTEE

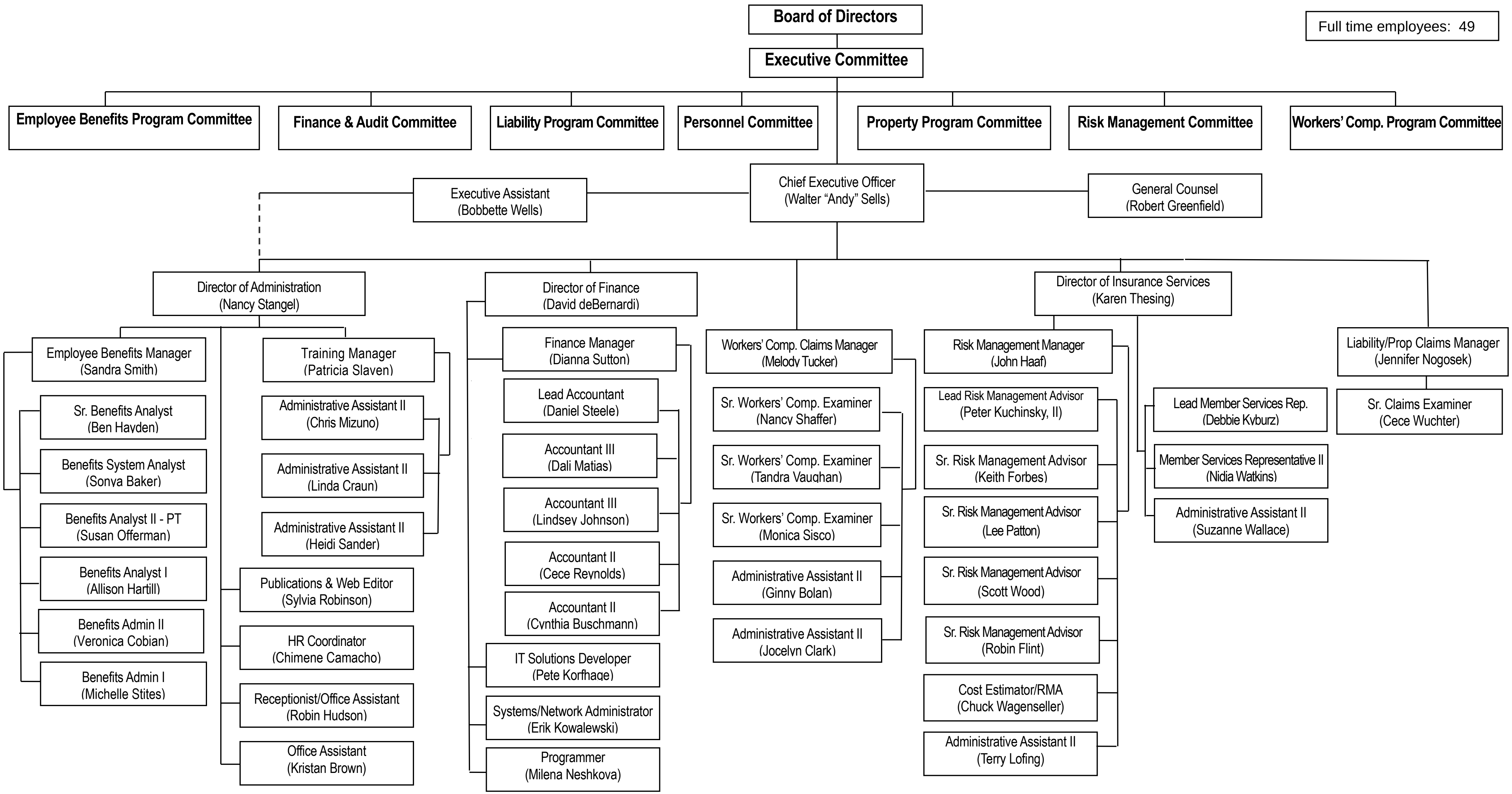
Name	Office	District
E.G. "Jerry" Gladbach	President	Castaic Lake Water Agency
Thomas A. Cuquet	Vice-President	South Sutter Water District
David A. Drake	Director	Rincon del Diablo MWD
David T. Hodgin	Director	Scotts Valley Water District
Brent Hastey	Director	Yuba County Water District
W.D. "Bill" Knutson	Director	Yuima Municipal Water District
Melody A. McDonald	Director	San Bernardino Valley WCD
Charles W. Muse	Director	Helix Water District
J. Bruce Rupp	Director	Humboldt Bay Municipal WD
Walter "Andy" Sells	Chief Executive	

Office Address

2100 Professional Drive
Roseville, California 95661

Report Prepared by the
JPIA Finance Department

David deBernardi, CPA, Director of Finance
Dianna Sutton, Finance Manager
Dan Steele, Lead Accountant
Dalisay Matias, Accountant III
Lindsey Johnson, Accountant III
Cece Reynolds, Accountant II
Cynthia Buschmann, Accountant II


Full time employees: 49
Board of Directors
Executive Committee
Employee Benefits Program Committee
Finance & Audit Committee
Liability Program Committee
Personnel Committee
Property Program Committee
Risk Management Committee
Workers' Comp. Program Committee
Executive Assistant (Bobbette Wells)
Chief Executive Officer (Walter "Andy" Sells)
General Counsel (Robert Greenfield)
Director of Administration (Nancy Stangel)
Employee Benefits Manager (Sandra Smith)
Sr. Benefits Analyst (Ben Hayden)
Benefits System Analyst (Sonya Baker)
Benefits Analyst II - PT (Susan Offerman)
Benefits Analyst I (Allison Hartill)
Benefits Admin II (Veronica Cobian)
Benefits Admin I (Michelle Stites)
Training Manager (Patricia Slaven)
Administrative Assistant II (Chris Mizuno)
Administrative Assistant II (Linda Craun)
Administrative Assistant II (Heidi Sander)
Publications & Web Editor (Sylvia Robinson)
HR Coordinator (Chimene Camacho)
Receptionist/Office Assistant (Robin Hudson)
Office Assistant (Kristan Brown)
Director of Finance (David deBernardi)
Finance Manager (Dianna Sutton)
Lead Accountant (Daniel Steele)
Accountant III (Dali Matias)
Accountant III (Lindsey Johnson)
Accountant II (Cece Reynolds)
Accountant II (Cynthia Buschmann)
IT Solutions Developer (Pete Korfhage)
Systems/Network Administrator (Erik Kowalewski)
Programmer (Milena Neshkova)
Workers' Comp. Claims Manager (Melody Tucker)
Sr. Workers' Comp. Examiner (Nancy Shaffer)
Sr. Workers' Comp. Examiner (Tandra Vaughan)
Sr. Workers' Comp. Examiner (Monica Sisco)
Administrative Assistant II (Ginny Bolan)
Administrative Assistant II (Jocelyn Clark)
Director of Insurance Services (Karen Thesing)
Risk Management Manager (John Haaf)
Lead Risk Management Advisor (Peter Kuchinsky, II)
Sr. Risk Management Advisor (Keith Forbes)
Sr. Risk Management Advisor (Lee Patton)
Sr. Risk Management Advisor (Scott Wood)
Sr. Risk Management Advisor (Robin Flint)
Cost Estimator/RMA (Chuck Wagenseller)
Administrative Assistant II (Terry Lofing)
Lead Member Services Rep. (Debbie Kyburz)
Member Services Representative II (Nidia Watkins)
Administrative Assistant II (Suzanne Wallace)
Liability/Prop Claims Manager (Jennifer Nogosek)
Sr. Claims Examiner (Cece Wuchter)

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Association of California Water Agencies Joint Powers Insurance Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Jeffrey R. Emer

Executive Director/CEO

CAJPA

It is the purpose of this organization to give professional recognition to properly qualified self-insurance pools.

THEREFORE, the Board of Directors of the California Association of Joint Powers Authorities, has conferred upon

Association of California Water Agencies JPIA

this

CERTIFICATE OF ACCREDITATION WITH EXCELLENCE

having fulfilled the conditions of eligibility as prescribed by the Association for Accreditation.

California Association of Joint Powers Authorities
Accredited with Excellence

Accreditation Period: May 19, 2015 – May 19, 2018

Andy Sells
President

Michael Fleming
Chairman, Accreditation Committee

James P. Marta
Accreditation Program Manager

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) as of September 30, 2016, and the related notes to the financial statements, which collectively comprise ACWA JPIA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACWA JPIA as of September 30, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the required supplementary information, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise ACWA JPIA's basic financial statements. The supplemental information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Month __, 2017, on our consideration of ACWA JPIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts 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* in considering ACWA JPIA's internal control over financial reporting and compliance.

GILBERT ASSOCIATES, INC.
Sacramento, California

Month __, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA or JPIA), we offer readers of the JPIA financial statements this narrative overview and analysis of the financial activities of the JPIA for the fiscal year ended September 30, 2016. 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 (GAAP). The Statement of Net Position presents a snapshot of the JPIA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of September 30, 2016. The Statement of Revenues, Expenses, and Changes in Net Position report the revenues and expenses for the fiscal year resulting in the changes to net position. The Statement of Cash Flows reports changes in net position and income accounts that affect cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities. The Notes to the Financial Statements present the reader with additional information to enhance and complement understanding of the financial statements.

Comparative financial information is presented below for analysis of changes from the prior year. In the following comparative tables, prior fiscal year 2015 balances are presented as originally reported in the financial statements.

CONDENSED STATEMENTS OF NET POSITION

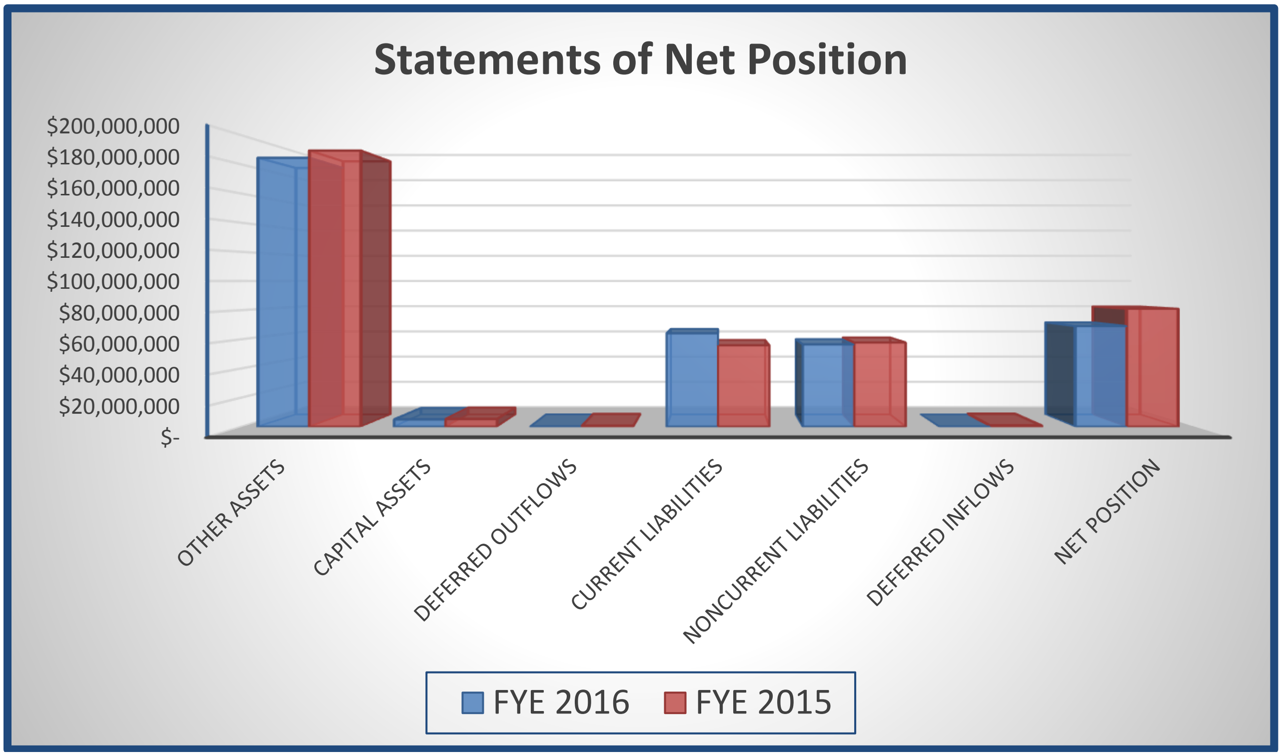
	9/30/2016	9/30/2015	2016 vs. 2015 Variance
ASSETS			
Other Assets	$184,494,105	$189,191,869	$(4,697,764)
Capital Assets	5,072,656	5,302,885	(230,229)
Total Assets	189,566,761	194,494,754	(4,927,993)
DEFERRED OUTFLOWS			
Related to Pensions	1,065,779	625,033	440,746
LIABILITIES			
Current Liabilities	63,978,099	55,874,099	8,104,000
Noncurrent Liabilities	57,496,224	57,465,715	30,509
Total Liabilities	121,474,323	113,339,814	8,134,509
DEFERRED INFLOWS			
Related to Pensions	454,600	846,155	(391,555)
NET POSITION			
Net Investment in Capital Assets	5,072,656	5,302,885	(230,229)
Unrestricted	63,630,961	75,630,933	(11,999,972)
TOTAL NET POSITION	$68,703,617	$80,933,818	$(12,230,201)

The decrease in Other Assets involves a large reduction in cash compared to 2015 due to a decision by staff and the ACWA JPIA Executive Committee to reduce the Employee Benefit Fund to approximately $18.5 million. The JPIA's investment portfolio actually grew by $5.8 million. Throughout the fiscal year, however, more cash was needed to cover claim payments this year versus last year. Primary claim costs increased by over 5% entity-wide.

The jump in Current Liabilities can partly be attributed to the addition of the program year 2012-2013 within the retroactive premium adjustment process. This program year will add over $7 million to the retroactive premium adjustment process, which will increase the JPIA's expected refunds back to the members early in 2017. Of this amount, $5.8 million can be attributed to the Liability 2012-2013 program year.

For the third consecutive year, the ACWA JPIA Board of Directors voted to allow for a subsidy on employee benefit medical premiums to offset rising health care costs that have profound fiscal impacts on member districts. As a result, the program utilized $9.5 million dollars of the available reserve during fiscal year 2016 and accounts for the majority of the variance within the unrestricted section of the Net Position calculation.

Overall, the JPIA's net position declined just over $12 million during fiscal year 2016. The budgeting of the Employee Benefits Program subsidy continued a pattern of emphasis to gradually reduce the total equity in that program to the determined goal of $18.5 million. It currently resides at $25.8 million as of September 30, 2016.



The graph above displays the changes of the various components in the Statements of Net Position from the current year to the prior, highlighted primarily by the two reductions in Other Assets and Net Position, as mentioned previously.

An analysis of the JPIA's 2016 revenues and expenses will show an overall decrease in net position of $12.1 million. While this number initially seems to depict a challenging fiscal year financially, approximately $9.5 million of this loss can be attributed to the net change in the Employee Benefits Fund. Key factors for the program included the premium subsidy coupled with rising medical claim costs ($7.1 million increase from 2015 to 2016 at year end).

These figures are reflected on the Condensed Statements of Revenues, Expenses, and Changes in Net Position (shown hereafter).

The increase in member premium revenue is the result of several factors. Medical PPO ASO fees reflected an Anthem rate renewal increase of approximately 4.0% and yielded an additional $2.78 million in billing to members. Overall change of Employee Benefits revenue worked out to a 4.6% increase, or $4.2 million. Ultimately, the billing increase would fall short of the overall 2015 to 2016 upsurge in Employee Benefit PPO claims (9.6% or $5.6 million), the JPIA's subsidy would cover the gap, alleviating the impact on participating member districts.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	9/30/2016	9/30/2015	2016 vs. 2015 Variance
OPERATING REVENUES			
Members Premiums	$159,008,617	$154,042,184	$4,966,433
Retrospective Premium Adjustments	(12,017,219)	3,619,551	(15,636,770)
Total Operating Revenues	146,991,398	157,661,735	(10,670,337)
OPERATING EXPENSES			
Provision for Claims	96,527,538	100,989,254	(4,461,716)
Excess Insurance	7,884,544	7,817,928	66,616
Benefit Premiums	46,279,783	45,699,936	579,847
General & Administrative	10,910,106	9,688,310	1,221,796
Total Operating Expenses	161,601,971	164,195,428	(2,593,457)
OPERATING LOSS	(14,610,573)	(6,533,693)	(8,076,880)
NON-OPERATING REVENUES			
Investment Income	2,380,372	2,738,962	(358,590)
CHANGE IN NET POSITION	(12,230,201)	(3,794,731)	(8,435,470)
NET POSITION, BEGINNING	80,933,818	84,728,549	(3,794,731)
NET POSITION, ENDING	$68,703,617	$80,933,818	$(12,230,201)

Although the Liability Program pricing remained unchanged, the overall member payrolls have increased therefore raising the premiums payments by 2.25%, or $336 thousand as the pricing is based on the member payrolls. The Property Program has also remained unchanged. The Workers' Compensation Program had a 10% pricing decrease beginning July 1, 2016. This program had a slight decrease in the previous program year as well. Since Workers' Compensation pricing is based on member payroll there was a rise in the premiums based on overall member payroll increases creating a revenue increase by 1.9%, or $224 thousand.

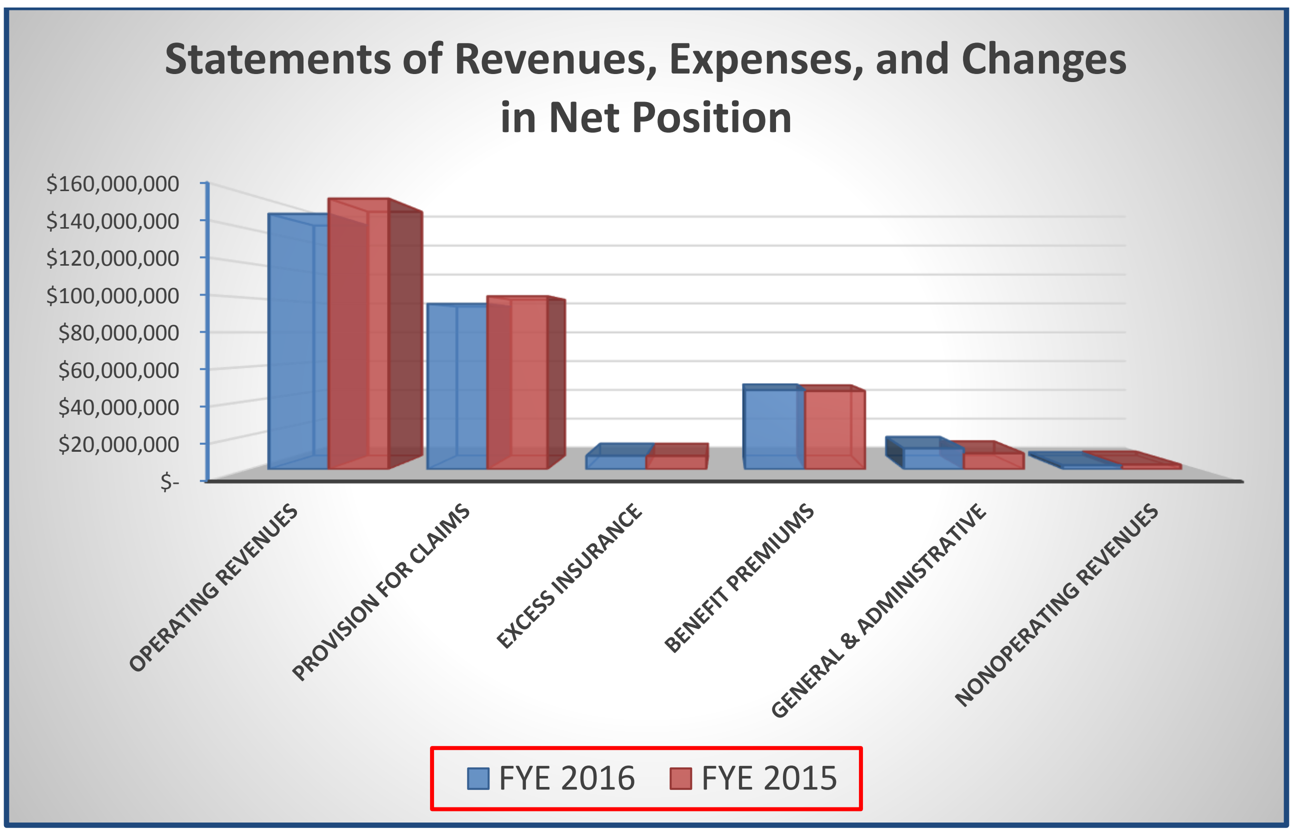
As previously stated, the Employee Benefits increase in total claims was significant, rising by over $7 million. But all other of the JPIA's programs experienced a dramatic reduction in the provision for claims, predominantly in actuarial incurred but not reported changes (down $4.6 million) and reserves ($5.1 million). Influenced by the efforts of the JPIA's talented, hard-working risk management consultants, the JPIA managed to also reduce primary claims by over $1.9 million. These variances ultimately make up the majority of the approximate $4.5 million in savings on claims entity-wide.

General and administrative (G&A) expenses rose approximately 13% in 2016 and exceeded the $9.1 million budget over $1 million plus. The JPIA's unfunded liability rose by $1.6 million. The JPIA had paid off the unfunded liability previously but CalPERS experienced low returns on their investments creating more liability for their members at the end of the fiscal year. The JPIA is currently undergoing a transitional period of succession and transformation, where salaries may overlap.

Two large factors affecting G&A include software costs exceeding budget by almost $400 thousand. Ventiv is a newer software the JPIA added which will ultimately replace Navrisk, an outdated software system which has been in use for many years. The JPIA Employee Benefits Department introduced Castlight, a program designed to help medical plan users identify financially beneficial alternatives to procedures and other medical-related expenses by offering provider pricing in the local area. The initial outlay of funds to implement this program for members is considered necessary, with the goal of future substantial savings with covered individuals picking and choosing more affordable options.

The other major factor involves challenges of incorporating the new Patient Protection and Affordable Care Act (PPACA) transitional reinsurance fees on self-funded medical plans. The amount of $408 thousand is the JPIA's 2015 contribution to help lessen the impact of adverse selection in the individual employee benefits market.

The chart following compares the various components of the Statements of Revenues, Expenses, and Changes in Net Position over the last two fiscal years and highlights the variances stated previously:



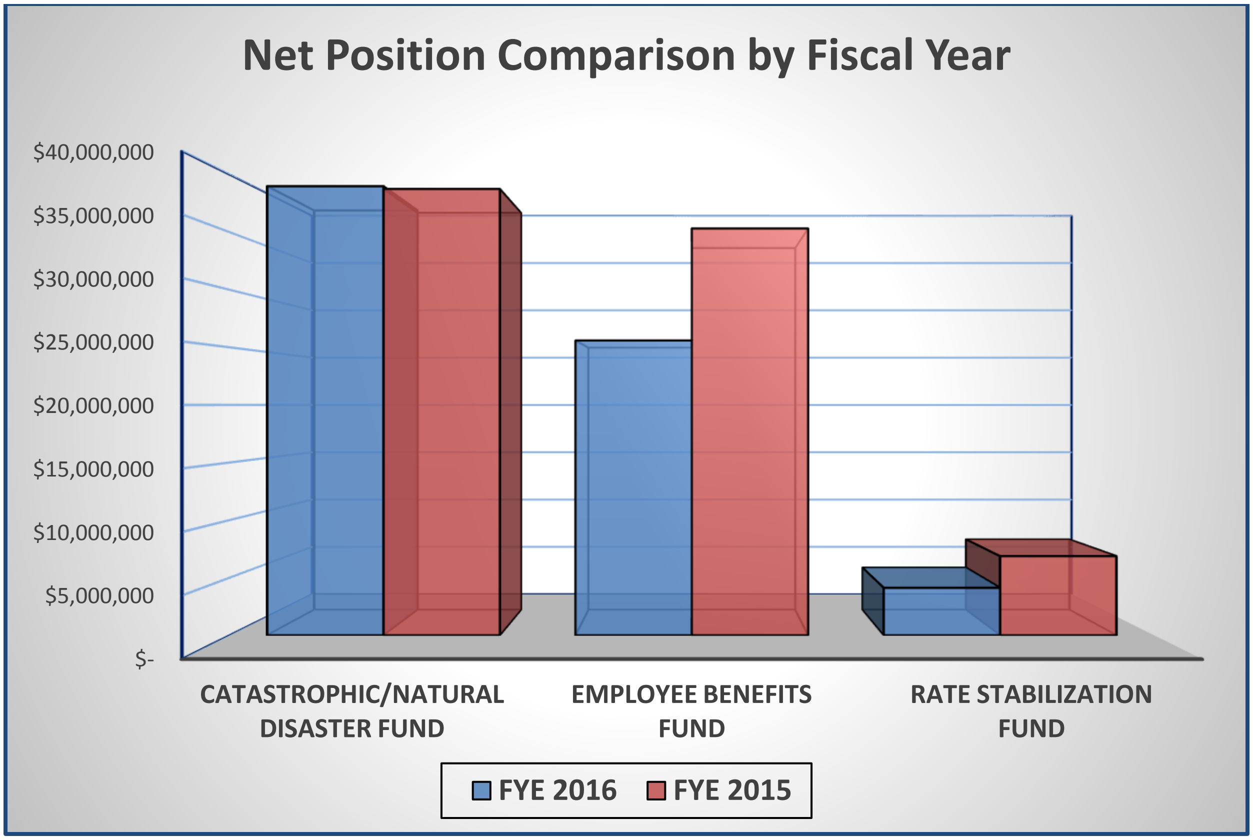
FINANCIAL HIGHLIGHTS

General and administrative expenses have been trending upwards over the years. This is primarily due to the need for additional staff as the Employee Benefits program grows and handles greater volume. Also noteworthy are the increased software costs to upgrade some of the JPIA's outdated systems. This change should gain greater efficiencies and eventually utilize technological advances to streamline processes in claims management and other data processing.

The JPIA's Net Position consist of three main funds:

The ACWA JPIA Executive Committee determined how much was enough to hold in our Capital Funds for our members. The JPIA has held to these limits or is constantly in the process of adjusting toward them.

- The Employee Benefit Fund represents equity originally purchased from the Health Benefits Authority in July 2012, and has been used to cover the subsidization of premiums with the determination of an $18.5 million floor. Fortunately, this fund allows the JPIA flexibility to willingly decrease this fund's balance over the targeted policy years and provide members with competitive rates in the highly volatile field of medical coverage.
- The Rate Stabilization Fund represents funds held on member district's behalf (capped at 50% of their current year's basic liability premium) to mitigate adverse changes in premiums, as well as minimize future assessments (when necessary).
- The Catastrophic Fund covers both the Liability and Workers' Compensation Programs. The fund pays for considerable losses within unfavorable policy years. Such funds are subject to ACWA JPIA Executive Committee approval before being applied. In 2015, the board agreed to add a fund for Property entitled the *Natural Disaster Fund*. This $500 thousand annual set-aside fund covers natural disasters that would otherwise create a policy year anomaly. The goal is to grow this fund so that in the event of a major event, funds from this Natural Disaster Fund, along with any available aid from the Federal Emergency Management Agency (FEMA), will help our member districts.



The previous graph illustrates the changes in the three funds making up the JPIA's net position from 2015 to 2016. As discussed earlier in this analysis, the Employee Benefits Fund portion reveals the usage from the premium subsidy and rising claim costs. The Catastrophic Fund net changes were minimal and the Natural Disaster Fund remained consistent with regular contributions and no disbursements were made in 2016.

The Rate Stabilization Fund reduction included several key 2016 adjustments to bring it down to the $4.1 million shown above. Refunds were awarded in the early part of 2016 in the amount of $1.1 million. RPA adjustments for Liability, Property, and Workers' Compensation netted to $799.000. Finally, the 10% program for Liability (used to cap member premium increases to 10%) drew out $1.0 million. These factors make up the majority of the Rate Stabilization Fund monies used in 2016.

CASH AND INVESTMENTS

Cash and investments continue to make up the majority of the JPIA's assets. At year end September 30, 2016, total cash and investments were $156 million – down $9.7 million from prior year. This decrease was primarily the result of paying Employee Benefit claims and subsidy for their members. Though cash and investments as a statement category declined in 2016, investments alone actually grew by more than $5 million.

The JPIA took on new types of securities in 2016, including asset-backed securities and supranationals, in an effort to solidify diversification and security in the portfolio, as well as adding some additional yield.

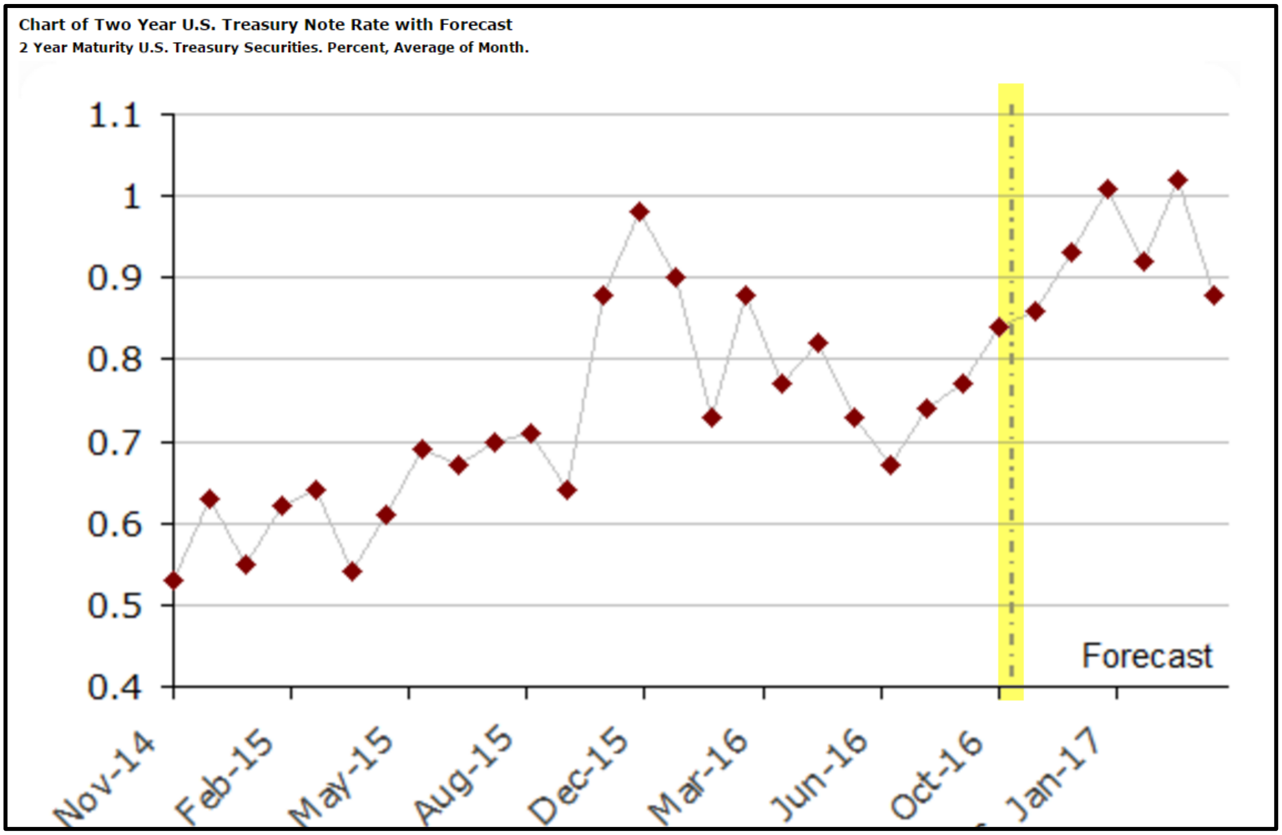
An analysis of cash provided by operating activities can be found on the Statement of Cash Flows. For 2016, $12.8 million in cash was used above and beyond cash receipts and this shortfall should somewhat mirror the $12 million reduction in net position, covered previously in the Statements of Revenues, Expenses, and Changes in Net Position section. Though the overall provision for claims decreased, most of this change resided in actuarial changes to incurred, but not reported costs, and reductions in primary reserves themselves. Overall, net claim payments increased by $4.8 million.

Another major contributing factor for the Cash Flow Statement would be a delay in the cash collections of Liability invoicing for the new policy year beginning in October. Typically, cash receipts for this billing period are collected in the months prior to the year closing. In this case, the mailing of the new years' invoices were intentionally delayed due to later Liability Committee meetings. Collections will be completed after September 30, as all members are required to give a years' notice before they leave the program the members will pay. To illustrate, collections for the Liability Program at September 30, 2014 and 2015 were $17.3 million and $13.6 million, respectively. For 2016, this number was merely $4.4 million. Overall, the variance of "Cash Received from Members" of nearly $4 million from 2015 to 2016 has a profound impact on the net cash provided by operations.

While the JPIA's investments are primarily made up of Treasury Bills, Corporate Notes and Federal Agency Coupon Securities, the 2-year maturity Treasury Security yield offers a decent view of the interest rates reflective of the market as a whole. A quick review the Chart of Two Year U.S. Treasury Note Rate (www.forecasts.org) (shown on the current page) tracks the yield volatility of fiscal year 2016, with spikes in January 2016 and then a gradual smoothing between .6 and .9. The difference in the yields between these rates is marginal. There is, however, a trend of the yields rising which is expected, given the common view that rates have little else to go but upward.

Interest earned on the JPIA's portfolio increased from $1.6 million to $1.8 million for fiscal years 2015 and 2016, respectively. This rise in income somewhat reflects the gradual rise in the U.S. Treasury Note Rate over the 2016 fiscal year and the apparent lack of significant change reflects the steadying of interest rates found in the market.

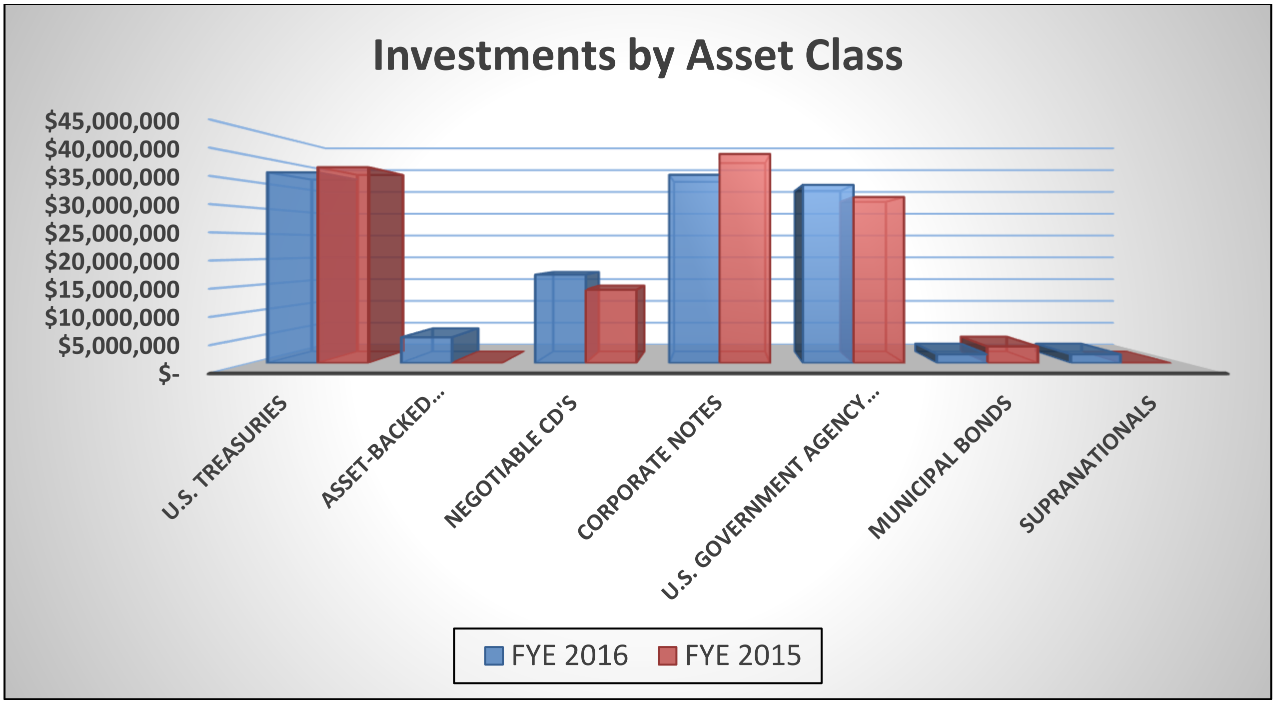
This latest trend lends credence to the JPIA's investment policy, which is strictly limited to only the safest, low-risk securities with Moody's ratings of A- or higher. Low-risk securities traditionally do not offer yields beyond the Treasury yield. Below is a chart that displays the historical 2-year maturity on the U.S. Treasury Securities yield from November 2014 and beyond.



The JPIA internally manages the cash needed for operations and the majority of the short-term investments. The non-current portion of the portfolio is managed by PFM Asset Management LLC. The JPIA's investment policy is formulated to fully comply with California state prudent investor standards that emphasize the safeguarding of principal first, followed by meeting company liquidity requirements, and finally, yield optimization.

The changes from 2015 to 2016 reveal a slight shift in PFM's investment strategy for the JPIA, focusing more on broadening the diversity (adding asset-backed securities and supranationals for example) and phasing out some underperforming Treasury and corporate notes. There was also an introduction to federal mortgage-backed securities (grouped within the U.S. Government Agency category) and these securities offer decent coupon rates (1.3 – 1.7%) with minimal risk, and offer the JPIA the cash flow advantage of monthly interest payments. Surprisingly, asset-backed and mortgage-backed securities outperformed comparable-maturity Treasuries.

Total investments were $133 million and $128 million at year end September 30, 2016 and 2015, respectively. The following chart depicts the totals by investment type:



CAPITAL ASSET ACTIVITY

The 2016 fiscal year saw the JPIA collect all remaining proceeds of the sale of the Birdcage building, originally sold to Kanaan Investments, LLC in April of 2015. At the time, an $825 thousand note receivable had been established to carry the loan for the investor, but was surprisingly paid in full in the 2016 year with all remaining interest owed for a total of $867 thousand. This amount can be found within the Cash Flows from Financing Activities section within the Cash Flow Statement.

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

The JPIA has many projects and goals for the near future. There are always moving parts in motion that could have a financial impact, some as early as the next fiscal year (2016-2017). But all of these moving parts play a role in JPIA's ongoing commitment to excellence to its members. Here are some of the highlights:

- Ground Water Sustainability Agencies (GSA's) – the JPIA is currently investigating these new agencies in California to assist in helping with basic coverage needs at this time.
- Cyber Liability – the JPIA has added Cyber Security to the Liability Program coverage at no extra cost to its members. This coverage is important with the emerging risks the industry is currently facing with cyber liability, as hackers and other electronic-based threat sources begin to target government agencies. The JPIA's risk managers will also work with member districts to combat cyber liability through best practices and training, mitigating exposure as much as possible. Additional coverage may be added for those districts looking for additional liability security.
- Drones – Another emerging risk rising in the areas of contention for insurance companies is the usage of drones. Covered districts using drones for any purpose (predominantly land/dam/water/site inspections) will need to address the various issues surrounding drone usage, especially privacy laws and any other unforeseen exposures.
- Herbicidal/pesticide drift claims were excluded in the memorandum of coverage as of October 1, 2015. This has become quite a controversial issue for risk pools in the state of California. Due to the complications and coverage limitations of risk transfer when it comes to aerial application (helicopters, drones, etc.), the JPIA will no longer support district liability claims in this manner. However, applications using ground transportation, such as tractors, will continue to remain covered.
- Liability retention levels – The JPIA's self-insured retention level for the 2016-2017 Liability Program Year was increased from $2 million to $5 million. This will allow the JPIA to keep rates steady while decreasing the cost for excess insurance. The estimated savings could be utilized to strengthen the pool and possibly assist in broadening coverage to protect the JPIA member pool.
- Leadership Training – The JPIA training staff will invest in the member district management teams with leadership training. As baby boomers are currently retiring in mass numbers, successfully managing staff changes and using strategic planning to address the upcoming succession challenges are critical in reducing claims and meeting the JPIA member's leadership needs.
- Workers' Compensation – The new drug formulary was put into effect as of July 1, 2017. Costs are expected to be reduced, primarily from workers being able to return to work faster due to less addictive and harmful drug restrictions being put in place.
- Employee Benefits – The Employee Benefits Department continues analyzing claims and other important market data to strategically refine pricing and program reviews.

CONCLUSION

This financial report is designed to provide a general overview of the JPIA's financial position. For further information, please visit the JPIA's website at 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
Attn: Finance Department
2100 Professional Drive
Roseville, CA 95661-3700

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 23,447,757
Investments	16,108,177
Member premiums receivable	21,560,366
Investment income and other receivables	579,908
Excess insurance proceeds receivable	244,272
Retrospective premium adjustment receivable	820,025
Prepaid expenses	1,937,193
TOTAL CURRENT ASSETS	64,697,698
NONCURRENT ASSETS	
Investments	116,782,310
Retrospective premium adjustment receivable	728,414
Net other post employment benefits	2,285,683
Capital assets - net	5,072,656
TOTAL NONCURRENT ASSETS	124,869,063
TOTAL ASSETS	189,566,761
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,065,779
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	1,262,584
Unearned member premiums	29,480,602
Retrospective premium adjustment payables	12,825,376
Provision for claims	20,409,537
TOTAL CURRENT LIABILITIES	63,978,099
NONCURRENT LIABILITIES	
Retrospective premium adjustment payables	19,149,724
Claims reserves	8,748,661
Claims incurred but not reported	25,236,423
Unallocated loss adjustment liability	3,013,031
Net pension liability	1,348,385
TOTAL NONCURRENT LIABILITIES	57,496,224
TOTAL LIABILITIES	121,474,323
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	454,600
NET POSITION	
Net investment in capital assets	5,072,656
Unrestricted	63,630,961
TOTAL NET POSITION	$ 68,703,617

See accompanying notes to financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2016

OPERATING REVENUES	
Member premiums	$ 159,008,617
Retrospective premium adjustments	(12,017,219)
TOTAL OPERATING REVENUES	146,991,398
OPERATING EXPENSES	
Claims expense:	
Claims paid	97,258,190
Change in claims reserves	(1,008,442)
Change in claims incurred but not reported	(3)
Change in unallocated loss adjustment expense	277,793
Total claims expense	96,527,538
Excess insurance	7,884,544
Benefit premiums	46,279,783
General and administrative	10,642,018
Depreciation	268,088
TOTAL OPERATING EXPENSES	161,601,971
OPERATING LOSS	(14,610,573)
NONOPERATING REVENUES	
Investment income	2,123,200
Net increase in investment fair value	257,172
TOTAL NONOPERATING REVENUES	2,380,372
CHANGE IN NET POSITION	(12,230,201)
NET POSITION, BEGINNING OF YEAR	80,933,818
NET POSITION, END OF YEAR	$ 68,703,617

See accompanying notes to financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from members	$ 148,069,037
Cash received from excess/aggregate insurance	2,936,142
Payments for claims	(97,258,190)
Payments for excess claims	(1,431,905)
Payments for excess insurance	(7,934,406)
Payments for benefit premiums	(46,279,783)
Payments for billings & RPA fund	(1,077,369)
Payments to vendors	(3,292,217)
Payments to employees	(6,513,052)
NET CASH USED BY OPERATING ACTIVITIES	(12,781,743)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(39,786)
Proceeds from sale of Birdcage building	867,268
NET CASH PROVIDED BY FINANCING ACTIVITIES	827,482
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	1,836,847
Purchase of investments	(87,669,805)
Proceeds from maturities of investments	82,861,474
NET CASH USED BY INVESTING ACTIVITIES	(2,971,484)
Decrease in cash and cash equivalents	(14,925,745)
Cash and cash equivalents, beginning of year	38,373,502
Cash and cash equivalents, end of year	$ 23,447,757
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (14,610,573)
Adjustments to net cash used by operating activities:	
Depreciation of capital assets	268,088
Change in member premiums receivable	(10,886,800)
Change in excess insurance proceeds receivable	1,725,523
Change in retrospective premium adjustment receivable	3,638,782
Change in net other post employment benefits (OPEB)	4,808
Change in note receivable	825,000
Changes in net pension liability and deferred outflows/inflows related to pensions	(44,913)
Other expenses	(207,123)
Change in unearned member premiums	1,085,781
Change in retrospective premium adjustment payables	6,150,337
Change in claims liabilities	(730,653)
NET CASH USED BY OPERATING ACTIVITIES	$ (12,781,743)
NON CASH ITEMS	
Change in unrealized fair value of investments	$ 257,172

See accompanying notes to financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

(1) General Information

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

The 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 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.

The 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 the JPIA considered to be part of (controlled by or dependent on) the JPIA. This includes financial activity relating to all of the membership years.

In determining its reporting entity, the 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 the JPIA is not financially accountable for any members.

Insurance Coverage and Deductibles – The 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. The JPIA administers claims in-house on behalf of participating members.

The 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 policy 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 - 9/30/16	2,000,000

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

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. The JPIA administers claims in-house on behalf of participating members**.**

The JPIA provides the following insurance coverage, deductibles and SIR:
Member District Deductible: $500 to $50,000
The SIRs for this program by policy 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
4/1/13 - 3/31/17	100,000

Excess of: $100,000 up to a total of $100,000,000 coverage with various sub limits through XL America Insurance Inc.
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 the JPIA's Executive Committee. The JPIA administers claims in-house on behalf of participating members**.**

The JPIA provides the following insurance coverage and SIR:
Member District RAP: $250 to $25,000
The SIRs for this program by policy 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 - 6/30/17	2,000,000

Excess of: $2,000,000 to statutory limits through Arch Insurance Company.
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 ACWA JPIA's Executive Committee and the Health Benefits Authority (HBA) approved the transition of the HBA program into the JPIA. In March 2012, the HBA Board of Directors voted to dissolve the HBA programs. As a result, the JPIA's 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 the JPIA's Executive Committee. The JPIA utilizes a third party to administer these claims on behalf of participating members**.**

The JPIA carries reinsurance with Voya Financial for coverage losses in excess of the self-insured retention of $500,000 per beneficiary incurred during the policy period, and paid during the policy period and six-month period immediately following the end of the policy period. The policy year is January 1 through December 31.

(2) Significant Accounting Policies

Basis of Accounting – The accounting records of the 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.

Cash and Cash Equivalents – With regards to the statement of cash flows, the JPIA considers cash in banks, all money market funds, cash in Local Government Investment Pools (LGIP), and Local Agency Investment Funds (LAIF) to be cash equivalents. Investments maturing within three months from the 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, 2016. Changes in the fair value of investments, both realized and unrealized, are included in the Statement of Revenues, Expenses, and Changes in Net Position as a component of non-operating revenues.

Prepaid Expenses – Expenses for the portions of excess insurance and other costs that extend into future accounting periods have been recorded as prepaid expenses.

Capital Assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of three years for computer equipment, five years for office equipment and building improvements, and 30 years for the JPIA main office building in Roseville, CA.

Unearned Member Premiums – The JPIA bills its members in advance for certain programs. The amount billed represents unearned member premium revenue until earned. Any premiums collected from members before the respective program years, are temporarily stored in the Unearned Member Premium general ledger accounts until the appropriate period, at which time premiums are then recognized as earned and allocated to the specific revenue accounts.

Premiums Receivable – These amounts represent unpaid invoices for policies written during the JPIA's fiscal year. Workers Compensation holds four different general ledger accounts to track receivables separately since the billing is done quarterly. A significant portion of premiums receivable are also recognized as unearned premiums for those policies extending into the subsequent year.

Claims Liabilities – The 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

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

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 appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

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, four years after a 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 an employee survey for estimated employee time spent with each of the JPIA programs. The Liability and Employee Benefit Programs are 25%, the Workers' Compensation Program is 33% and the Property Program is 17% for the current fiscal year.

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

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

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

Additional factors involved in the calculation of the JPIA's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 12 for further details related to these pension deferred outflows and inflows.

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

(3) Cash and Investments

Investments Authorized by the JPIA's Investment Policy – The following table identifies the investment types authorized for the JPIA by the California Government Code Section 53601 (or the JPIA's investment policy where more restrictive). Also following are tables identifying certain provisions of the California Government Code (or the 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
Asset-Backed Securities/CMO	5 years	20%	5%	AA-
Bankers' Acceptance	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-
LGIP	N/A	50%	N/A	AAAm
LAIF	Daily	50%	N/A	N/A
Money Market Funds	N/A	20%	20%	Treasury / Agency Only
U.S. Treasury	5 years	100%	100%	None
California State Obligations	5 years	100%	5%	A-
Other State/Local Gov. Obligations	5 years	100%	5%	A-
Supranationals	5 years	20%	20%	AAA

* The average life of the total portfolio at any time shall not exceed four years.
** Purchases may not represent more than 10% of the outstanding paper of an issuing corporation.

Concentration of Credit Risk – Investments at September 30, 2016 in any one issuer, other than U.S. Treasury Securities, LAIF and LGIP, that represent 5.0% or more of the total investments of the JPIA are as follows:

Issuer	Investment Type	Market Value
Federal National Mortgage Corp.	U.S. Agency Securities	$19,790,773
Federal Home Loan Bank	U.S. Agency Securities	$9,982,191

Custodial Credit Risk is the risk that in the event of a bank failure, the JPIA's deposits may not be returned to it. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the 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 the 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 the JPIA for investments. Investment fair value and duration at September 30, 2016 are as follows:

Authorized Investment Type	Amount	Effective Duration
U.S. Treasury Obligations	$36,775,411	3.794
Federal Agency Securities	31,581,527	2.628
Federal Mortgage Backed Securities	2,799,491	1.156
Medium-Term Notes	31,310,054	2.453
Asset-Backed Securities/CMOs	4,969,243	1.881
Negotiable Certificates of Deposit	17,049,707	0.943
Commercial Paper	5,000,000	0.583
Municipal Bonds	1,710,224	1.601
Supranationals	1,694,831	2.564

Local Agency Investment Funds – The JPIA is a participant in 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 the JPIA's investment in this pool is reported in the accompanying financial statements at amounts based upon the JPIA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001.

Local Government Investment Pools are managed pool accounts in which the JPIA participates. The California Asset Management Program (CAMP) 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 the JPIA's investment in this pool is reported in the accompanying financial statements at amounts based on the JPIA's pro-rata share of the fair value. Financial information can be obtained from 50 California Street, Suite 2300, San Francisco, CA 94111.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

Disclosures Relating to Credit Risk

Authorized Investment	Amount	Aaa/P-1	Aa (1-3)	A (1-3)	Baa	Not Rated
As of September 30, 2016						
Cash	$ 200	$ 0	$ 0	$ 0	$ 0	$ 200
Financial Institution Deposits	10,439,520					10,439,520
Asset-Backed Securities/CMOs	4,969,242	4,378,068				591,174
Negotiable Certificates of Deposit	17,049,707	9,718,163	7,331,544			
LGIP (Managed Pool Accounts)	25,262					25,262*
LAIF	12,982,775					12,982,775
U.S. Treasury Obligations	36,775,411	36,775,411				
Federal Agency Securities	31,581,527	31,581,527				
Federal Agency MBS	2,799,491	2,799,491				
Municipal Bonds	1,710,224		1,067,338	642,886		
Commercial Paper	5,000,000		5,000,000			
Medium-Term Notes	31,310,054	2,432,348	7,189,361	21,219,806	468,539	
Supranationals	1,694,831		1,694,831			
Totals	$156,338,244	$87,685,008	$22,283,074	$21,862,692	$468,539	$24,038,931

Information about the risk that an issuer or other counterparty to an investment will not fulfill its obligations is provided by the table above.

*The managed pool account (LGIP) is comprised of $25,262 in CAMP. This investment is not rated by Moody's and thus shown as not rated. However, CAMP is rated AAAm by Standard and Poor's.

Fair Value

For the year ended September 30, 2016, JPIA implemented GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The primary objective of GASB 72 is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no material impact on JPIA's financial statements as a result of the implementation of Statement No. 72.

GASB 72 requires JPIA to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. The fair value hierarchy levels are summarized below (*Source = U.S. Bank's Summary of Methodology for Assigning Fair Value to Client Assets 09 27 16*):

- Level 1 Inputs – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. An active market for the asset is one in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Inputs – Inputs to the valuation methodology that are observable for an asset/liability either directly or indirectly (other than quoted prices included within Level 1). They include

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

quoted prices for similar assets/liabilities in active markets and quoted prices for identical or similar assets /liabilities in markets that are NOT active.

- Level 3 Inputs – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset/liability, including assumptions about risk.

The following schedule classifies the JPIA's security assets at fair value based on hierarchy level as of September 30, 2016:

Investments by Fair Value Level		Fair Value Measurements Using	
Debt Securities:		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasury Obligations	$ 36,775,411	$36,775,411	
Asset-Backed Securities	4,969,242		$4,969,242
Negotiable Certificates of Deposit	17,049,707		17,049,707
Corporate Notes	36,310,054		36,310,054
U.S. Government Agency	34,381,018		34,381,018
Municipal Bonds	1,710,224		1,710,224
Supranationals	1,694,831		1,694,831
Totals	**$132,890,487**	**$36,775,411**	**$96,115,076**

Pooled investment funds, such as CAMP and LAIF, are subject to fair value measurement, but not to the fair value hierarchy. For the purpose of the statement of cash flows, the JPIA considers cash in banks and deposits in LAIF to be *cash equivalents* and are not presented within the Fair Value disclosures.

(4) Capital Assets

The following is a schedule of changes in capital assets for the year ended September 30, 2016:

	9/30/2015	Additions	Deductions	Transfers	9/30/2016
NON-DEPRECIABLE ASSETS:					
Land	$ 590,545	$ 0	$ 0	$ 0	$ 590,545
DEPRECIABLE ASSETS:					
Building & Improvements	5,336,035	0	0	0	5,336,035
Furniture & Equipment	552,813	37,859	19,457	0	571,215
Software	478,141	0	0	0	478,141
Total Depreciable Assets	6,366,989	37,859	19,457	0	6,385,391
LESS ACCUMULATED DEPRECIATION:					
Building & Improvements	(848,938)	(179,073)	0	0	(1,028,011)
Furniture & Equipment	(498,507)	(42,662)	(19,457)	0	(521,712)
Software	(307,204)	(46,353)	0	0	(353,557)
Total Accumulated Depreciation	(1,654,649)	(268,088)	(19,457)	0	(1,903,280)
Capital Assets - Net	$5,302,885	$(230,229)	$ 0	$ 0	$ 5,072,656

(5) 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 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, 2016. RPAs are subject to change as the ultimate cost of claims becomes known, investment income is realized, and the JPIA's indirect costs are allocated to each policy year. RPA's do not apply to the Employee Benefits Programs.

The initial RPA is made at the end of the fourth full year of operations of each the JPIA program. After that, RPAs represent annual cumulative adjustments to the original premiums (net of prior RPAs, if any) previously billed and held at the 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, the JPIA established an RPA Stabilization Fund for the Liability Program to help stabilize future RPAs. The 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 any member that has a balance over this amount receives a refund. During the fiscal year 2002-03 the RPA Stabilization Fund was expanded to include the Property and Workers' Compensation Programs.

(6) Reconciliation of Claims Liabilities

At September 30, 2016, unpaid losses of $58,596,957 are presented at their net present value of $57,407,652. These losses are discounted at a rate of 1% for Liability, 1.5% for Workers' Compensation, .25% for Property and 0% for Employee Benefits.

The following schedule represents changes in the aggregate liabilities for all programs during the past year ending September 30, 2016:

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

Discounted Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$58,138,304
Incurred Claims and Claim Adjustment Expenses:	
Provision for Insured Events of the Current Fiscal Year	90,282,537
Increase in Provision of Insured Events of Prior Fiscal Years	6,245,001
Total Incurred Claims and Claim Adjustment Expenses	96,527,538
PAYMENTS:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	67,931,814
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	29,326,376
Total Payments	97,258,190
Discounted Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	**$57,407,652**
Components of Claims Liability:	
Provision for Claims (Current)	$20,409,537
Claims Reserves	8,748,661
Claims Incurred But Not Reported	25,236,423
Unallocated Loss Adjustment Liability	3,013,031
Total Claims Liability	**$57,407,652**

(7) Net Position Designations

There are three categories that make up net position: the Catastrophic Reserve (CAT) Fund (includes the Natural Disaster Fund for the property program), Employee Benefits 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. Beginning with the fiscal year 2012-2013, the Liability and Workers' Compensation Programs limited the CAT Fund to 99% of the current years actuarially determined Gross Liability for Unpaid Losses. If a member has over 99%, a refund is transferred into their RPA Stabilization Fund. If the CAT fund is underfunded, collections can be transferred from the RPA Fund if the funds are available. The RPA fund is used to smooth the member's premium billing and refund process. The Employee Benefits Fund can be used to help reduce premium increases of only that Program when approved by the Executive Committee.

Net position is designated in the following manner**:**

September 30, 2016:	
Catastrophic (CAT)/Natural Disaster Fund	$38,982,217
Employee Benefits Fund	25,592,661
RPA Stabilization Fund	4,128,739
Net Position	$68,703,617

(8) Joint Venture

The 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 The JPIA and LAWCX is such that LAWCX is not a component unit of The JPIA for financial reporting purposes. 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, and Sacramento, CA 95833.

(9) Pension Plan

Plan Description
The JPIA provides pension benefits to its employees through the JPIA's Miscellaneous Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan maintained by CalPERS, an agency of the State of California. The JPIA had less than 100 active members as of the June 30, 2015 and 2016 actuarial valuation. As a result, qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

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

Benefits Provided
The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and have a minimum of five years of CalPERS-credited service. Members after January 1, 2013 must be at least 52 to be eligible for service retirement.

Contributions
Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The JPIA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The JPIA's required contribution rate on covered payroll for the measurement period ended June 30, 2016 (the measurement date) was 7.964% and 6.730% of annual pay for Classic and PEPRA employees, respectively. Employer contributions rates may change if Plan contracts are amended. For the year ended September 30, 2016, the employer contributions to the Plan were $352,666.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions
The JPIA's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

The NPL of the Plan is measured as of June 30, 2016 for the year ended September 30, 2016. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. As of September 30, 2016, the JPIA's proportionate share of the Plan's NPL was $1,348,385.

Using the JPIA's individual employer rate Plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for the JPIA by the actuary. The JPIA's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Plan
Proportion - June 30, 2015	(010241%)
Proportion - June 30, 2016	.038815%
Change - increase	.049056%

For the year ended September 30, 2016, the JPIA recognized pension expense of $1,237,076.

At September 30, 2016, the JPIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$11,744	$(2,691)
Changes in assumptions		(111,108)
Net differences between projected and actual investment earnings of pension plan investments	578,282	
Changes in proportions	385,756	
Changes in proportionate share of contributions		(340,801)
Pension contributions subsequent to measurement date	89,997	
Total	$1,065,779	$(454,600)

As of September 30, 2016, the $89,997 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending September 30, 2017. As of September 30, 2016, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended September 30	
2017	$ 44,434
2018	55,474
2019	271,492
2020	149,782

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the TPL was determined by rolling forward the June 30, 2015 TPL. The June 30, 2015 and June 30, 2016 TPL were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[(1)]	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[(1)] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Changes in Assumptions

There were no changes in assumptions during the measurement period ended June 30, 2016.

Discount Rate

The discount rate used to measure the TPL was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10[(a)]	Real Return Years 11+[(b)]
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

[(a)] An expected inflation of 2.5% was used for this period.
[(b)] An expected inflation of 3.0% was used for this period.

Sensitivity of the JPIA's Proportional Share of the NPL/NPA to Changes in the Discount Rate

The following presents the JPIA's Proportional Share of the NPL of the Plan as of the June 30, 2016 measurement date, calculated using the discount rate of 7.65%, as well as what JPIA's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
JPIA's Proportionate Share of Plan's NPL	$ 2,100,748	$ 1,348,385	$ 726,594

(10) Retiree Medical Benefits

Financial reporting standards for employers providing postemployment benefits other than pensions (OPEB) required disclosures are presented below:

The 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, 2016, there were twelve participants receiving these health care benefits. The 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%

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

During fiscal year 2008-09, the 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 - The 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 fiscal year 2016 required contribution (ARC) was determined as part of a July 1, 2015 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) 7.28% discount rate, (b) 3.25% annual rate of increase in payroll (c) health care cost trend rates for pre-65 went from 6.1% to 8.0%. The post-65 trend rates decreased from 6.1% to 5.0%.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 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, 2015, the actuarial accrued liability was estimated to be $5,453,982.

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. The JPIA has calculated and recorded the Net OPEB Asset, representing the normal cost of the ARC, amortization and contributions, as presented below:

September 30, 2016:	
Annual required contribution	$ 191,917
Interest on net OPEB obligation	(166,639)
Implicit Rate Subsidy Adjustment	10,228
Adjustment to annual required contribution	158,679
Annual OPEB cost	194,185
Contributions made:	
Premiums paid	101,588
Implicit Subsidy	12,578
Prefunding contributions	75,211
Net contributions	189,377
Change in net OPEB asset	4,808
Net OPEB Obligation (Asset) at beginning of year	(2,290,491)
Net OPEB Obligation (Asset) at end of year	($2,285,683)

The actuarial accrued liability (AAL) represents the present value of future benefits. The JPIA made a prefunding contribution to CERBT in the fiscal year 2008-09 in the amount of $2,965,074 on March 25, 2009. 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 years 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)
9/30/2014	$174,519	$167,584	96%	$(2,286,736)
9/30/2015	191,570	195,325	102%	(2,290,491)
9/30/2016	194,185	189,377	98%	(2,285,683)

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. Trend data from the actuarial studies is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded Actuarial Accrued Liability (A - B)	Funded Radio (A/B)	Covered Payroll (C)	Overfunded Actuarial Liability as Percentage of Covered Payroll (A - B)/C]
7/1/2011	4,966,241	3,798,912	1,167,329	131%	2,861,322	41%
7/1/2013	5,322,383	4,913,093	409,290	108%	3,482,209	12%
7/1/2015	6,424,270	5,453,982	970,288	118%	3,852,173	25%

(11) Deferred Compensation Plan

The 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 the JPIA's property and are not subject to its control, they have been excluded from these financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2016

(11) Deferred Compensation Plan

The 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 the JPIA's property and are not subject to its control, they have been excluded from these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

SEPTEMBER 30, 2016

	Liability Program	Property Program	Workers' Compensation Program	Employee Benefits Program	Total
Unpaid Claims and Claim Adjustment at Beginning of the Fiscal Year:	$ 24,565,466	$ 618,450	$ 25,370,190	$ 7,584,198	$ 58,138,304
Incurred Claims and Allocated Claim Adjustment Expense:					
Provisions for Insured Events of the Current Fiscal Year	11,747,754	1,335,947	5,309,235	71,889,601	90,282,537
Increase (Decrease) in Provision for Incurred Events of Prior Fiscal Years	(11,059,801)	343,876	3,868,759	13,092,167	6,245,001
Total Incurred Claims and Allocated Claim Adjustment Expenses:	687,953	1,679,823	9,177,994	84,981,768	96,527,538
Payments:					
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	2,313,638	607,696	941,422	64,069,058	67,931,814
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	3,494,534	486,893	4,668,584	20,676,365	29,326,376
Total Payments:	5,808,172	1,094,589	5,610,006	84,745,423	97,258,190
Discounted Unpaid Claims and Allocated Claim Adjustment Expense at the End of the Fiscal Year:	$ 19,445,247	$ 1,203,684	$ 28,938,178	$ 7,820,543	$ 57,407,652
Components:					
Provision for Claims (Current)	$ 7,813,994	$ 594,000	$ 4,181,000	$ 7,820,543	$ 20,409,537
Claims Reserves	1,625,577	0	7,123,084	0	8,748,661
Claims Incurred But Not Reported	9,576,777	520,499	15,139,147	0	25,236,423
Unallocated Loss Adjustment Liability	428,899	89,185	2,494,947	0	3,013,031
Total Claims Liability	$ 19,445,247	$ 1,203,684	$ 28,938,178	$ 7,820,543	$ 57,407,652

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2016

LIABILITY PROGRAM

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
1. Required contribution and investment revenue:										
Earned	$17,863,121	$19,359,349	$18,226,823	$18,869,948	$18,958,632	$19,803,318	$17,703,188	$ 16,900,874	$15,645,962	$15,847,452
Ceded	4,468,104	4,926,828	4,906,389	4,608,867	4,595,419	4,145,093	4,080,300	3,659,417	3,634,717	3,875,750
Net earned	13,395,017	14,432,521	13,320,434	14,261,081	14,363,214	15,658,225	13,622,888	13,241,457	12,011,245	11,971,702
2. Unallocated expenses	1,596,469	2,081,532	3,353,644	2,061,273	2,221,428	2,332,996	1,644,364	1,771,474	1,703,096	1,146,020
3. Estimated claims and expenses end of policy year:										
Incurred	7,700,683	7,600,857	8,977,902	7,422,043	9,537,161	11,501,735	11,340,999	11,992,230	14,740,360	15,010,541
Ceded	1,073,855	1,159,832	800,459	775,277	1,482,000	3,340,797	2,803,191	2,829,815	2,688,625	3,489,316
Net incurred	6,626,828	6,441,025	8,177,443	6,646,766	8,055,161	8,160,938	8,537,808	9,162,415	12,051,735	11,521,225
4. Net paid (cumulative) as of :										
End of policy year	1,434,048	1,095,952	1,194,315	1,740,230	1,304,594	980,968	1,327,647	2,058,691	2,355,454	2,313,638
One year later	4,053,763	1,853,377	2,482,488	2,768,106	2,536,953	2,347,481	2,892,313	3,985,953	4,630,229	
Two years later	5,647,981	2,085,152	4,668,354	4,178,258	3,380,763	5,333,836	4,419,948	5,066,762		
Three years later	6,835,600	2,383,841	7,081,902	4,952,630	3,840,217	6,184,173	4,569,894			
Four years later	7,367,448	2,750,344	7,645,834	4,962,995	4,731,053	6,176,719				
Five years later	7,361,962	3,561,241	7,933,851	5,128,754	4,572,283					
Six years later	7,371,125	3,566,680	8,575,171	5,185,572						
Seven years later	7,371,125	3,566,530	8,609,827							
Eight years later	7,373,625	3,566,530								
Nine years later	7,373,625									
5. Reestimated claims and expenses:	455,000	0	5,025,000	50,000	0	0	0	9,260,000	120,000	1,110,000
6. Reestimated net incurred claims and expenses:										
End of policy year	6,626,828	6,441,025	8,177,443	6,646,766	8,055,161	8,160,938	8,537,808	9,162,415	12,051,735	11,521,225
One year later	6,979,182	4,525,102	6,818,148	6,683,075	6,436,591	7,445,949	6,729,662	10,676,485	8,611,154	
Two years later	7,502,499	3,568,668	7,278,037	6,092,815	4,951,214	6,853,715	6,742,879	9,275,901		
Three years later	7,510,266	3,913,545	9,129,176	6,150,522	4,825,003	8,546,852	5,191,809			
Four years later	7,401,853	3,641,003	10,326,885	5,420,192	5,343,648	6,607,018				
Five years later	7,469,027	3,562,805	10,248,532	5,423,372	4,697,574					
Six years later	7,603,551	3,566,680	10,193,683	5,248,260						
Seven years later	7,371,126	3,566,678	8,966,967							
Eight years later	7,373,626	3,566,529								
Nine years later	7,373,626									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ 746,798	$ (2,874,496)	$ 789,524	$ (1,398,506)	$ (3,357,587)	$ (1,553,920)	$ (3,345,999)	$ 113,486	$ (3,440,581)	$ 0

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2016

PROPERTY PROGRAM

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
1. Required contribution and investment revenue:										
Earned	$3,632,491	$4,194,825	$3,925,177	$4,143,017	$4,397,768	$4,607,305	$4,875,627	$5,111,157	$5,312,029	$5,072,434
Ceded	2,004,909	2,227,970	2,251,832	2,643,369	2,855,737	3,050,768	3,368,987	2,720,489	2,318,261	1,527,000
Net earned	1,627,582	1,966,855	1,673,345	1,499,648	1,542,031	1,556,537	1,506,640	2,390,668	2,993,768	3,545,434
2. Unallocated expenses	398,495	56,524	92,801	193,540	200,019	309,319	192,098	384,181	1,568,883	1,688,261
3. Estimated claims and expenses end of policy year:										
Incurred	1,898,330	2,332,725	2,221,251	2,464,985	3,475,186	2,458,165	2,532,879	3,122,568	949,153	1,403,306
Ceded	703,289	1,065,112	1,667,792	1,751,000	2,653,624	1,665,007	1,815,000	1,917,000	96,880	531,733
Net incurred	1,195,041	1,267,613	553,459	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573
4. Net paid (cumulative) as of :										
End of policy year	813,264	800,917	464,893	692,003	775,702	661,882	596,198	952,945	611,312	847,420
One year later	648,592	682,101	512,365	694,396	790,438	760,239	616,432	1,052,728	778,469	
Two years later	731,532	697,498	512,122	689,284	790,438	822,930	615,623	1,047,753		
Three years later	731,871	696,769	511,822	689,621	801,074	922,930	615,623			
Four years later	733,997	696,769	512,340	689,621	801,074	922,930				
Five years later	733,995	696,769	512,340	689,621	801,074					
Six years later	733,997	696,769	512,340	689,621						
Seven years later	734,497	696,769	512,340							
Eight years later	734,497	696,769								
Nine years later	734,497									
5. Reestimated claims and expenses:	1,882,113	1,375,733	189,526	2,405,483	1,693,575	1,635,785	657,678	340,166	69,364	531,733
6. Reestimated net incurred claims and expenses:										
End of policy year	1,195,041	1,267,613	553,459	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573
One year later	690,516	682,301	522,443	704,286	810,318	767,256	618,919	1,052,729	1,039,107	
Two years later	734,009	697,712	514,843	699,244	790,438	899,853	615,623	1,047,754		
Three years later	734,009	696,769	514,594	699,611	801,074	922,930	615,623			
Four years later	733,997	696,770	512,340	689,621	801,074	922,930				
Five years later	733,995	696,769	512,340	689,621	801,074					
Six years later	733,997	696,769	512,340	689,621						
Seven years later	734,497	696,769	512,340							
Eight years later	734,497	696,769								
Nine years later	734,497									
7. (Decrease) in estimated incurred claims and expense from end of policy year	$ (460,544)	$ (570,844)	$ (41,119)	$ (24,364)	$ (20,488)	$ 129,772	$ (102,256)	$ (157,814)	$ 186,835	$ 0

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2016

WORKERS' COMPENSATION

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
1. Required contribution and investment revenue:										
Earned	$15,592,661	$12,206,495	$9,886,467	$10,796,700	$12,164,892	$12,363,888	$13,117,387	$12,418,659	$12,260,060	12,411,564
Ceded	783,738	691,916	494,603	481,560	466,931	413,858	516,165	523,904	431,752	497,247
Net earned	14,808,923	11,514,579	9,391,864	10,315,140	11,697,961	11,950,030	12,601,222	11,894,755	11,828,308	11,914,317
2. Unallocated expenses:	2,456,361	3,175,258	3,195,974	2,673,045	3,047,433	2,226,125	2,290,558	1,668,953	1,830,330	1,563,016
3. Estimated claims and expenses end of policy year:										
Incurred	6,268,068	5,857,450	4,888,910	6,088,843	5,645,152	6,404,310	5,915,673	6,196,556	5,835,056	5,698,539
Ceded	0	0	0	40,000	80,000	230,000	32,500	130,000	0	0
Net incurred	6,268,068	5,857,450	4,888,910	6,048,843	5,565,152	6,174,310	5,883,173	6,066,556	5,835,056	5,698,539
4. Net paid (cumulative) as of :										
End of policy year	933,153	1,074,127	1,285,587	1,473,433	1,316,557	1,512,505	1,665,717	1,472,839	1,332,057	1,151,894
One year later	1,405,383	1,673,630	2,330,555	2,397,814	2,473,734	2,351,310	3,039,536	2,499,754	2,726,529	
Two years later	1,595,606	2,085,838	2,995,227	3,072,147	3,042,230	2,901,384	3,944,478	3,207,520		
Three years later	1,784,855	2,403,800	3,540,747	3,511,922	3,579,172	3,238,077	4,974,571			
Four years later	1,940,339	2,640,404	3,996,495	3,973,600	4,165,524	3,408,547				
Five years later	1,996,710	2,967,301	4,311,695	4,264,689	4,437,992					
Six years later	2,058,170	3,188,732	4,560,979	4,474,830						
Seven years later	2,075,772	3,335,594	4,901,484							
Eight years later	2,090,864	3,505,535								
Nine years later	2,088,852									
5. Reestimated claims and expenses:	0	0	0	0	0	0	0	0	0	0
6. Reestimated net incurred claims and expenses:										
End of policy year	6,268,068	5,857,450	4,888,910	6,048,843	5,565,152	6,174,310	5,883,173	6,066,556	5,835,056	5,698,539
One year later	3,826,938	4,491,065	6,099,868	5,409,694	6,406,747	5,377,941	6,382,564	5,387,863	6,638,361	
Two years later	3,674,253	4,565,633	5,222,307	5,588,999	5,978,804	5,632,117	6,853,254	5,705,488		
Three years later	3,249,121	4,106,558	5,524,329	4,997,277	6,286,812	5,255,945	7,985,933			
Four years later	2,614,453	4,251,724	5,656,262	5,181,837	6,373,660	5,343,587				
Five years later	2,482,261	4,204,544	5,988,258	5,622,302	6,397,276					
Six years later	2,493,798	4,283,451	6,668,721	5,567,475						
Seven years later	2,382,348	4,785,144	6,962,865							
Eight years later	2,339,167	5,237,719								
Nine years later	2,277,562									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ (3,990,506)	$ (619,731)	$2,073,955	$ (481,368)	$ 832,124	$ (830,723)	$ 2,102,760	$ (361,068)	$ 833,305	$ 0

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2016

EMPLOYEE BENEFITS

	2012 *	2013	2014	2015
1. Required contribution and investment revenue:				
Earned	$ 53,614,985	$ 114,067,746	$ 121,718,661	122,360,990
Ceded	541,419	836,491	1,029,985	1,276,428
Net earned	53,073,566	113,231,255	120,688,675	121,084,562
2. Unallocated expenses:	737,231	1,734,193	2,290,597	4,311,772
3. Estimated claims and expenses end of policy year:				
Incurred	35,205,118	70,429,600	73,414,224	81,097,989
Ceded	3,262,087	755,783	691,553	1,908,777
Net incurred	31,943,031	69,673,817	72,722,671	79,189,212
4. Net paid (cumulative) as of :				
End of policy year	31,943,031	69,673,817	74,354,752	79,189,212
One year later	32,327,809	69,742,278	74,319,010	
Two years later	31,837,837	69,744,060		
Three years later	31,837,948			
5. Reestimated claims and expenses:	3,262,087	755,783	691,553	1,908,777
6. Reestimated net incurred claims and expenses:				
End of policy year	31,943,031	69,673,817	72,722,671	79,189,212
One year later	35,484,702	70,594,649	74,319,010	
Two years later	34,609,952	69,744,060		
Three years later	31,837,948			
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ (105,083)	$ 70,243	$ 1,596,339	$ 0

* First year of Program covered the period of July 1, 2012 through December 31. 2012.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Notes to Required Supplementary Information
Year Ended September 30, 2016

(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, Workers' Compensation, and Employee Benefit 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.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
As Of September 30, 2016
Last 10 Years

	Measurement Date	
	6/30/2015	**6/30/2016**
The JPIA's Proportion of the Net Pension Liability (Asset)	(0.01024%)	0.038815%
The JPIA's Proportionate Share of the Net Pension Liability (Asset)	($280,963)	$1,348,385
The JPIA's Covered-Employee Payroll	$3,838,778	$4,240,054
The JPIA's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered-Employee Payroll	107.32%	31.80%
The JPIA's Proportionate Share of the Fiduciary Net Position as a Percentage of the JPIA's Total Pension Liability	101.34%	78.40%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

Notes to Schedule:

Change of benefit terms. In 2016 and 2015, there were no changes to the benefit terms.

Changes in assumptions. In 2016 and 2015, there were no changes in assumptions.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Miscellaneous Plan, a Cost Sharing-Employer Defined Benefit Pension Plan
As of fiscal year ending September 30, 2016
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	2015	2016
Actuarially determined contribution (actuarially determined)	$334,581	$352,666
Contributions in relation to the actuarially determined contributions	334,581	352,666
Contribution deficiency (excess)	0	0
Covered-employee payroll	$3,917,613	$4,519,745
Contributions as a percentage of covered-employee payroll	8.5%	7.8%

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

SUPPLEMENTARY INFORMATION

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM
YEAR ENDED SEPTEMBER 30, 2016

	LIABILITY	DAM FAILURE	PROPERTY	PASS - THROUGHS	WORKERS' COMP	STORAGE TANKS	EMPLOYEE BENEFITS	RPA & GASB ADJUSTMENTS	TOTALS
OPERATING REVENUES									
Member premiums	$ 15,492,159	$ 255,500	$ 5,108,563	$ 262,220	$ 12,256,671	$ 22,007	$ 125,611,497		$ 159,008,617
Retrospective premium adjustments	(9,215,744)	0	139,485	0	103,061	(17,023)	0	$ (3,026,998)	(12,017,219)
TOTAL OPERATING REVENUES	6,276,415	255,500	5,248,048	262,220	12,359,732	4,984	125,611,497	(3,026,998)	146,991,398
OPERATING EXPENSES									
Claims expense:									
Claims paid	5,808,172	0	1,094,589	0	5,610,006	0	84,745,423		97,258,190
Change in claims reserves	(1,590,041)	0	(69,096)	0	650,695	0	0		(1,008,442)
Change in claims incurred but not reported	(3,404,202)	0	597,987	0	2,569,868	0	236,344		(3)
Change in unallocated loss adjustment expense	(125,976)	0	56,343	0	347,426	0	0		277,793
Total claims expense	687,953	0	1,679,823	0	9,177,995	0	84,981,767	0	96,527,538
Excess insurance	3,875,750	250,000	1,521,152	248,041	506,780	10,564	1,472,257		7,884,544
Benefit premiums	0	0	0	0	0	0	46,279,783		46,279,783
General, Administrative & Depreciation	2,500,452	5,500	1,621,014	14,179	3,356,060	0	3,412,901		10,910,106
									0
TOTAL OPERATING EXPENSES	7,064,155	255,500	4,821,989	262,220	13,040,835	10,564	136,146,708	0	161,601,971
OPERATING LOSS	(787,740)	0	426,059	0	(681,103)	(5,580)	(10,535,211)	(3,026,998)	(14,610,573)
NONOPERATING REVENUES									
Investment income	753,100	0	62,518	0	653,697	7,647	646,238		2,123,200
Other income	34,640	0	11,423	0	27,406	49	183,654		257,172
TOTAL NONOPERATING REVENUES	787,740	0	73,941	0	681,103	7,696	829,892	0	2,380,372
CHANGE IN NET POSITION	$ 0	$ 0	$ 500,000 *	$ 0	$ 0	$ 2,116 *	$ (9,705,319)	$ (3,026,998)	$ (12,230,201)

* Contributions to a Catastrophic Fund

44

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 Position has changed.

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 POSITION
Last Ten Fiscal Years

	Fiscal Year September 30,									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Assets										
Current assets	$ 90,677,479	$ 69,852,266	$ 74,941,366	$ 48,403,357	$ 47,799,175	$ 76,819,567	$ 88,718,697	$ 69,901,479	$ 72,465,623	$ 64,697,698
Noncurrent assets	20,799,234	48,012,298	49,125,661	79,562,048	78,970,791	111,214,183	106,104,907	125,682,527	122,029,131	124,869,063
TOTAL ASSETS	111,476,713	117,864,564	124,067,027	127,965,405	126,769,966	188,033,750	194,823,604	195,584,006	194,494,754	189,566,761
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS[1]									625,033	1,065,779
Liabilities										
Current liabilities	36,651,610	35,783,642	38,564,342	38,507,711	41,867,839	60,219,720	52,189,011	53,163,043	55,874,099	63,978,099
Noncurrent liabilities	43,299,236	43,720,624	45,429,021	45,455,820	37,590,083	40,450,696	48,118,825	54,463,790	57,465,715	57,496,224
TOTAL LIABILITIES	79,950,846	79,504,266	83,993,363	83,963,531	79,457,922	100,670,416	100,307,836	107,626,833	113,339,814	121,474,323
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS[1]									846,155	1,802,985
Net Position										
Net investment in capital assets	964,200	875,335	978,142	4,974,593	6,862,991	6,904,191	6,560,350	6,206,203	5,302,885	5,072,656
Unrestriced	30,561,667	37,484,963	39,095,522	39,027,281	40,449,053	80,459,143	87,955,418	81,750,970	75,630,933	63,630,961
TOTAL NET POSITION	$ 31,525,867	$ 38,360,298	$ 40,073,664	$ 44,001,874	$ 47,312,044	$ 87,363,334	$ 94,515,768	$ 87,957,173	$ 80,933,818	$ 68,703,617

1- Beginning in the fiscal year ended September 30, 2015, GASB 68 required the recognition of net pension liability and the realted deferred outflows of resources, deferred inflows of resources, and pension expenses.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Last Ten Fiscal Years

	Fiscal Year Ended September 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Member premiums	$ 30,636,804	$ 31,155,506	$ 29,469,780	$ 30,328,626	$ 32,175,664	$ 60,219,073	$ 147,247,532	$ 152,994,168	$ 154,042,184	$ 159,008,617
Retrospective premium adjustments	(11,224,912)	(4,279,423)	(8,387,426)	(3,276,537)	(4,026,190)	(1,782,760)	(6,957,472)	(10,979,765)	3,619,551	(12,017,219)
TOTAL OPERATING REVENUES	19,411,892	26,876,083	21,082,354	27,052,089	28,149,474	58,436,313	140,290,060	142,014,403	157,661,735	146,991,398
EXPENSES										
Claims paid	10,361,897	10,075,155	9,134,958	9,818,161	12,316,974	27,272,010	79,132,931	86,929,610	92,455,329	97,258,190
Change in excess aggregate recovery	(95,777)	0	(88,462)	(87,603)	(215,529)	(8,186)	399,779	0	0	0
Change in claim reserves	(448,216)	(1,086,328)	2,281,381	2,112,946	(451,162)	395,087	1,651,729	1,109,472	4,098,558	(1,008,442)
Change in claims incurred but not reported	(917,405)	(642,041)	(65,834)	352,164	383,658	3,058,785	(2,586,808)	616,144	4,153,850	(3)
Change in unallocated loss adjustment expenses	(161,063)	(109,356)	63,789	133,186	(153,673)	86,653	(154,761)	490,716	281,517	277,793
TOTAL CLAIMS EXPENSE	8,739,436	8,237,430	11,325,832	12,328,854	11,880,268	30,804,349	78,442,870	89,145,942	100,989,254	96,527,538
Excess insurance and premium payments	7,974,435	8,447,857	8,439,434	8,350,340	8,507,507	17,301,864	47,335,990	52,622,414	53,517,864	54,164,327
General and administrative	4,453,752	4,837,353	5,841,653	5,278,142	5,664,370	6,641,962	7,198,325	7,549,473	9,346,478	10,642,018
Depreciation	87,086	88,865	57,051	51,921	234,085	322,936	322,789	366,360	341,832	268,088
TOTAL OPERATING EXPENSES	21,254,709	21,611,505	25,663,970	26,009,257	26,286,230	55,071,111	133,299,974	149,684,189	164,195,428	161,601,971
OPERATING INCOME (LOSS)	(1,842,817)	5,264,578	(4,581,616)	1,042,832	1,863,244	3,365,202	6,990,086	(7,669,786)	(6,533,693)	(14,610,573)
SPECIAL ITEM										
Net position acquired from merger						34,986,207				
NONOPERATING REVENUES AND EXPENSES										
Net investment income	4,501,331	1,569,853	6,294,982	2,885,378	1,446,926	1,699,881	162,348	1,111,191	2,738,962	2,380,372
CHANGE IN NET POSITION	$ 2,658,514	$ 6,834,431	$ 1,713,366	$ 3,928,210	$ 3,310,170	$ 40,051,290	$ 7,152,434	$ (6,558,595)	$ (3,794,731)	$ (12,230,201)

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 & GASB Adj's	Totals
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%	
2012-13	$ 16,490,152	$ 265,276	$ 3,946,776	$ 250,736	$ 8,044,738	$ 12,271	$ 0	$ 112,521,087	$ (1,078,628)	$ 140,452,408
	11.74%	0.19%	2.81%	0.18%	5.73%	0.01%	0.00%	80.11%	-0.77%	
2013-14	$ 11,430,667	$ 255,503	$ 4,925,813	$ 260,521	$ 10,965,338	$ 12,378	$ 0	$ 119,699,883	$ (4,424,509)	$ 143,125,594
	8.0%	0.2%	3.4%	0.2%	7.7%	0.0%	0.0%	83.6%	-3.1%	
2014-15	21,062,280.00	255,500.00	4,316,367.00	253,987.00	10,025,093.00	12,682.00		122,243,564	$ 2,231,224	$ 160,400,697
	13.1%	0.2%	2.7%	0.2%	6.3%	0.0%	0.0%	76.2%	1.4%	
2015-16	$ 7,064,155	$ 255,500	$ 5,321,990	$ 262,220	$ 13,040,835	$ 12,680	$ 0	$ 126,441,388	$ (3,026,998)	$ 149,371,770
	4.7%	0.2%	3.6%	0.2%	8.7%	0.0%	0.0%	84.6%	-2.0%	

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
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%	
2012-13	$ 16,006,207	$ 265,276	$ 3,946,774	$ 250,736	$ 7,499,767	$ 10,438	$ 0	$ 105,320,776	$ 0	$ 133,299,974
	12.01%	0.20%	2.96%	0.19%	5.63%	0.01%	0.00%	79.01%	0.00%	
2013-14	$ 11,430,667	$ 255,503	$ 4,925,813	$ 260,522	$ 10,965,338	$ 10,260	$ 0	$ 121,836,086	$ 0	$ 149,684,189
	7.64%	0.17%	3.29%	0.17%	7.33%	0.01%	0.00%	81.40%	0.00%	
2014-15	$ 21,062,280	$ 255,500	$ 4,066,367	$ 253,987	$ 10,025,093	$ 10,564	$ 0	$ 128,521,637	$ 0	$ 164,195,428
	12.83%	0.16%	2.48%	0.15%	6.11%	0.01%	0.00%	78.27%	0.00%	
2015-16	$ 7,064,155	$ 255,500	$ 4,821,990	$ 262,220	$ 13,040,834	$ 10,564	$ 0	$ 136,146,708	$ 0	$ 161,601,971
	4.37%	0.16%	2.98%	0.16%	8.07%	0.01%	0.00%	84.25%	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		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Liability											
Payroll Adjustments	*	$ (194,895)	$ (424,268)	$ (417,934)	$ (360,462)	$ (233,722)	$ (41,178)	$ 8,771	$ 77,449	$ 205,975	$ (21,465)
RPA's	*	1,065,131	4,205,849	(1,500,203)	1,598,011	1,602,017	(414,298)	3,871,891	(1,193,460)	3,355,680	(707,907)
10% Program	*	(912,697)	(453,659)	(610,203)	(546,891)	(1,165,719)	(1,006,330)	(861,439)	(416,028)	(251,999)	(1,041,835)
Cat Funds	*	0	0	997,823	1,000,197	0	0	(5,357,186)	1,106,460	2,201,780	896,656
Property											
RPA's	*	229,549	19,494	34,265	593,611	496,479	770,282	1,497,493	747,493	422,814	324,287
Workers' Comp											
RPA's	*	472,072	3,009,393	6,489,431	7,473,796	5,745,357	5,120,265	(1,815,910)	(182,993)	(1,294,405)	(487,746)
Cat Funds								(911,678)	1,154,883	(752,710)	(631,586)
Underground - Storage Tanks											
RPA's	*	0	0	169,480	0	10,713	0	0	0	0	0
Cat Funds	*	0	0	40,274	0	2,521	0	0	0	0	0
UTEL											
RPA's	*	0	(93,969)	0	0	0	0	0	0	0	0
Cat Funds	*	0	0	35,762	0	0	0	0	0	0	0
Totals		$ 659,160	$ 6,262,840	$ 5,238,695	$ 9,758,262	$ 6,457,647	$ 4,428,741	$ (3,568,058)	$ 1,293,803	$ 3,887,134	$ (1,669,595)
Cash Flow											
Members Billed		236,074	59,044	56,923	0	89	2,766	8,551	7,556	115,297	0
Self Insured Fund into RSF		0	0	0	0	0	4,573,112	0	0	0	0
Refunds to Members		(1,416,305)	(2,428,441)	(3,671,934)	(8,014,717)	(6,458,960)	(4,356,252)	(3,787,895)	(3,464,519)	(3,565,724)	(1,077,369)
Net Total		$ (521,071)	$ 3,893,443	$ 1,623,684	$ 1,743,545	$ (1,225)	$ 4,648,367	$ (7,347,403)	$ (2,163,160)	$ 436,707	$ (2,746,963)

* 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.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

ECONOMIC STATISTICS
(000's Omitted)
For the Fiscal Year September 30,

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Liability										
Total Number of Claims (Cumulative)	9,015	9,275	9,551	9,769	10,063	10,309	10,614	10,792	9,393	11,294
Closed Claims (Cumulative)	8,806	9,130	9,381	9,598	9,897	10,158	10,402	10,640	10,872	11,127
Open Claims (at year end)	209	145	170	171	166	151	212	152	180	167
Covered Payroll (Cumulative)	$ 5,738,277	$ 6,139,822	$ 6,577,859	$ 7,029,623	$ 7,482,521	$ 7,970,475	$ 8,438,819	$ 8,937,912	$ 9,427,805	$ 9,952,261
Property										
Total Number of Claims (Cumulative)	1,605	1,713	1,801	1,888	1,978	2,079	2,181	2,275	2,373	2,463
Closed Claims (Cumulative)	1,573	1,681	1,775	1,857	1,944	2,030	2,142	2,244	2,336	2,417
Open Claims (at year end)	32	32	26	31	34	49	39	31	37	46
Covered Payroll (Cumulative)	$ 34,563,800	$ 38,127,056	$ 41,376,694	$ 45,367,786	$ 49,613,566	$ 54,070,573	$ 58,803,203	$ 63,798,940	$ 69,031,783	$ 74,533,519
Workers' Compensation										
Total Number of Claims (Cumulative)	6,775	7,194	7,613	7,978	8,435	8,808	9,164	9,507	9,822	10,145
Closed Claims (Cumulative)	6,434	6,806	7,213	7,562	7,996	8,378	8,724	9,075	9,373	9,712
Open Claims (at year end)	341	388	400	416	439	430	440	432	449	433
Covered Payroll (Cumulative)	$ 3,318,109	$ 3,706,551	$ 4,110,740	$ 4,510,594	$ 4,922,605	$ 5,350,300	$ 5,787,648	$ 6,241,955	$ 6,706,772	$ 6,720,301
Number of Employees	37	37	38	39	39	39	43	46	48	49
Ratio of Premium to Payroll/TIV										
Liability Program	3.67%	3.64%	3.60%	3.56%	4.14%	4.09%	4.07%	4.02%	3.97%	2.88%
Property Program	0.13%	0.12%	0.11%	0.11%	0.12%	0.12%	11.00%	11.00%	11.00%	10.00%
Workers' Comp. Program	2.68%	2.46%	2.34%	2.40%	2.82%	2.81%	2.81%	2.79%	2.78%	2.59%

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

	2016			2007	
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employees**	**Number of Employees**	**Rank**
The Permanente Medical Group & Foundation Group	4,988	1	6.48%	3,289	2
Hewlett-Packard	2,300	2	2.99%	3,600	1
Sutter Roseville Medical Group	2,100	3	2.73%	1,922	3
Union Pacific Railroad Company	1,150	4	1.49%	1,500	4
City of Roseville	1,136	5	1.48%	1,248	5
Roseville Joint Union High School District	1,090	6	1.42%	975	6
Roseville City School District	1,034	7	1.34%	840	7
PRIDE Industries	838	8	1.09%	800	9
Adventist Health	801	9	1.04%	(b)	
Consolidated Communications	440	10	0.57%	(b)	
NEC Electronics				800	8
Wal-Mart				796	10
Subtotal	15,877		20.63%	15,770	
Total Employment*	70,969 (a)			79,000 (b)	

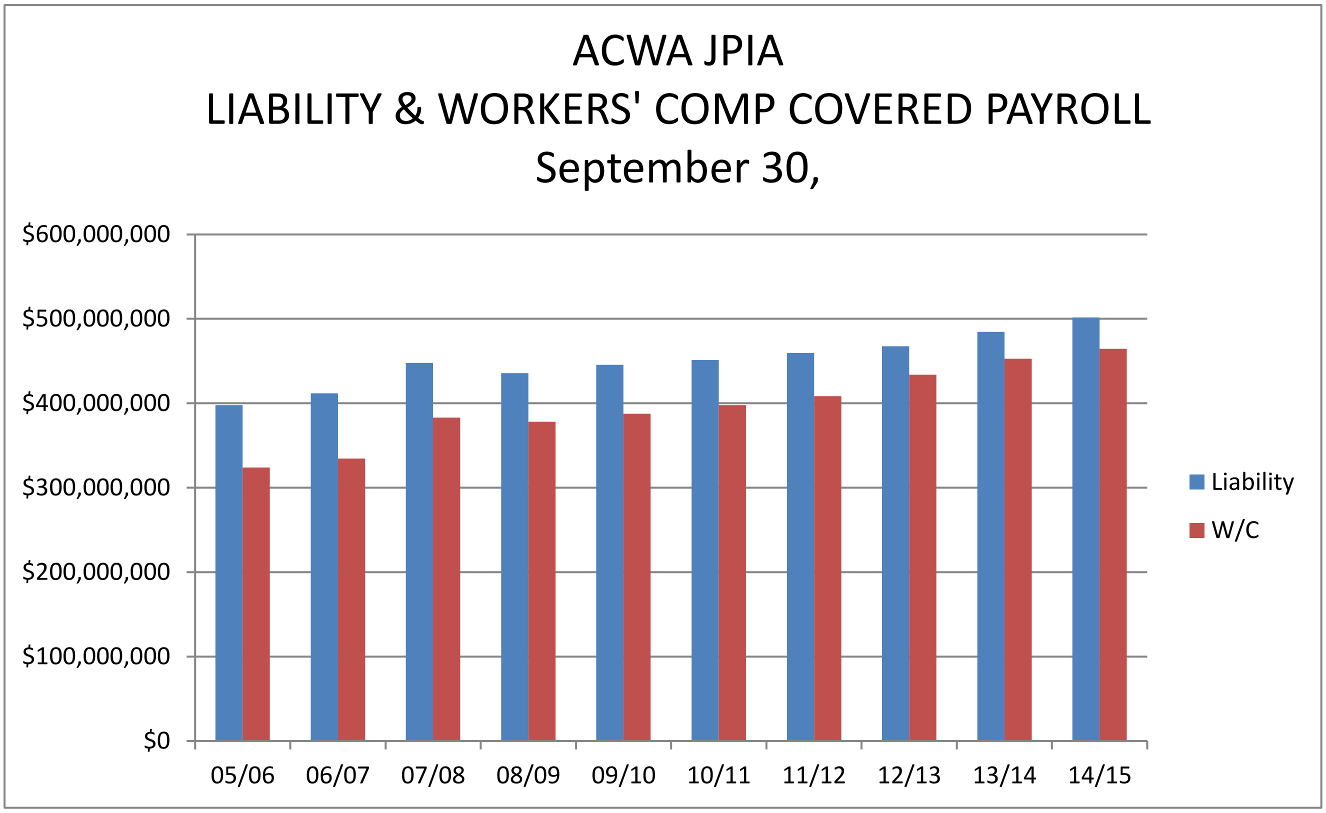
(a) Total Employment as used above represents the total employment of all employees located within the City of Roseville, which is the office location of ACWA JPIA.
(b) Information not available

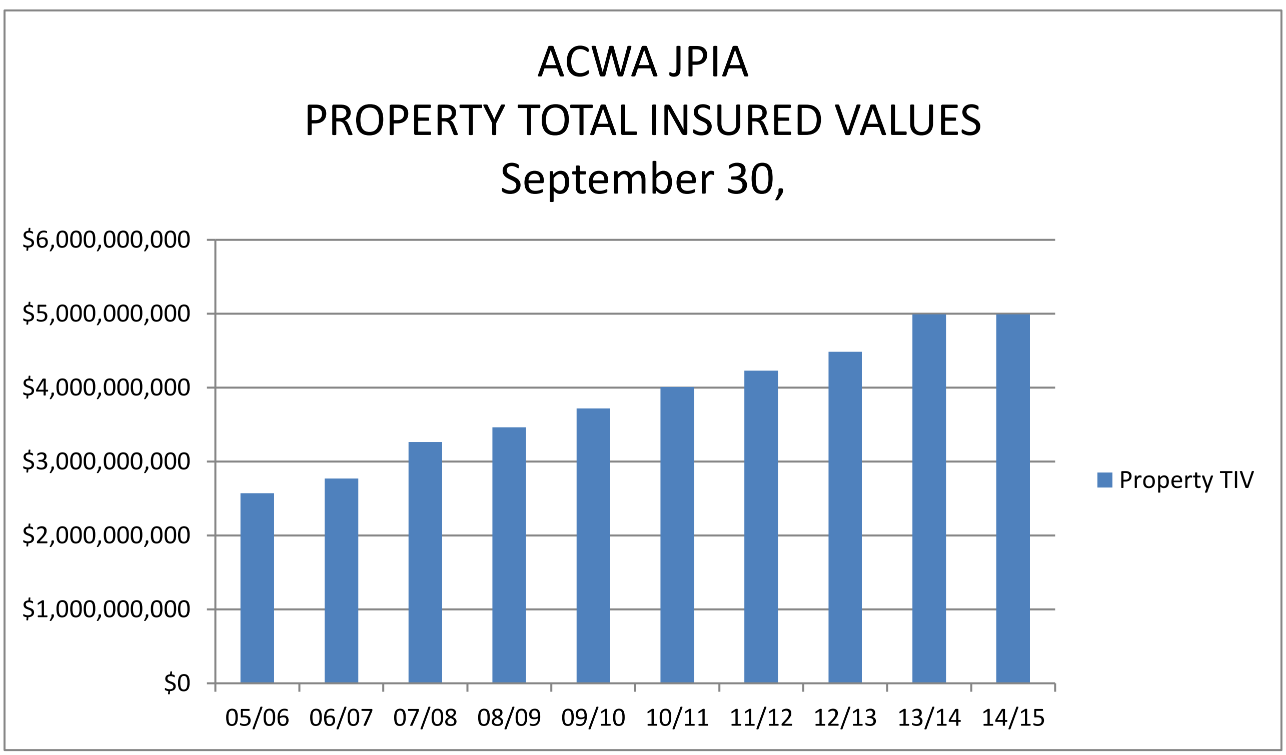
Association of California Water Agencies
Joint Powers Insurance Authority
Demographic Statistics by Population

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
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	16,464,986	47,012	11.3%	347,102	33.36%
2011	120,593	17,312,666	48,476	11.4%	357,138	33.77%
2012	122,060	19,004,105	52,544	10.0%	355,328	34.35%
2013	124,255	20,174,068	54,924	7.5%	357,463	34.76%
2014	126,956	21,182,771	58,000	6.5%	366,000	34.69%
2015	128,832	(a)	(a)	5.3%	369,454	34.87%
2016	134,073	(a)	(a)	4.5%	373,796	35.87%

(a) Information not available

Note--The JPIA's office located in the City of Roseville.


ACWA JPIA
LIABILITY & WORKERS' COMP COVERED PAYROLL
September 30,
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$0
05/06
06/07
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
Liability
W/C


ACWA JPIA
PROPERTY TOTAL INSURED VALUES
September 30,
$6,000,000,000
$5,000,000,000
$4,000,000,000
$3,000,000,000
$2,000,000,000
$1,000,000,000
$0
05/06
06/07
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
Property TIV

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*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise ACWA JPIA's basic financial statements, and have issued our report thereon dated Month __, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ACWA JPIA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACWA JPIA's internal control. Accordingly, we do not express an opinion on the effectiveness of ACWA JPIA's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACWA JPIA's financial statements are free from 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GILBERT ASSOCIATES, INC.
Sacramento, California

Month __, 2017

JPIA MEETING & CONFERENCE CALENDAR – 2017

Meeting Dates	Board of Directors	Executive	Personnel	Finance & Audit	Programs: Emp. Benefits	Programs: Liability	Programs: Property	Programs: Work Comp	Risk Mgmt
Feb 7		8:30 AM							
Feb 28				1:00 PM					
Mar 20				1:00 PM				3:00 PM	10:00 AM
Mar 21		8:30 AM							
Apr 4					1:00 PM	9:00 AM			
Apr 20			11:00 AM Ontario						
May 8	1:30 PM	10:15 AM							
May 9	ACWA Conference May 9 to 12 – Monterey Marriott								
May 31		11:00 AM							
Jun 27		1:00 PM			9:00 AM				
Jul 17	Strategic Planning Session – July 17-18								
Jul 20			11:00 AM Ontario						
Aug 29			10:00 AM	1:00 PM		3:00 PM			
Aug 30		8:30 AM							
Sep 12	CAJPA Conference September 12 to 15 – South Lake Tahoe CA								
Oct 31		11:00 AM	9:00 AM						
Nov 27 Anaheim	1:30 PM	10:15 AM							
Nov 28	ACWA Conference November 28 to December 1 – Anaheim Marriott								

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
JPIA Closed	2/16	20			29		4		4		23/24	25/26
Mgr Meetings	6	3	3	7	3	2	7	4	1	6	3	6
Staff Q&A	11	8	8	12	18	14	12	9	6	11	15	7
RM @ JPIA		8-9		12-13		14-15		9-10		11-12		7-8

Date Prepared: 2/23/17