Finance & Audit Committee Meeting

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

Monday
March 19, 2018
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

Monday, March 19, 2018, 1:00 PM

WebEx call-in: **(855) 749-4750;** Access code: **809 514 226;** 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:

- Corder – 10440 Ashford Street, Rancho Cucamonga
- Ruettgers – 3200 Rio Mirada Drive, 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 meeting of November 27, 2017.	**1**
All		**II.**	Report on meetings attended on behalf of the JPIA.	
deBernardi	*	**III.**	Review and take action on Comprehensive Annual Financial Report for year ended September 30, 2017.	**6**

Preliminary Agenda-date issued: February 20, 2018
Final Agenda-date issued: March 6, 2018

Presenter				Page#
deBernardi	*	**IV.**	Review and take action on the Proposed Operating Budget for Fiscal Year 2018-19.	**79**
Sells	*	**V.**	Update and review Captive Insurance Company.	**83**
Scaglione	*	**VI.**	Announce next meeting date: September 17, 2018.	

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 20, 2018
Final Agenda-date issued: March 6, 2018

Unapproved Minutes

Finance & Audit Committee Meeting

Anaheim Marriott
700 Convention Way
Anaheim, CA 92802
(714) 750-8000

November 27, 2017

MEMBERS PRESENT

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

MEMBERS ABSENT

None.

STAFF PRESENT

Chief Executive Officer/Secretary: Walter “Andy” Sells
Carol Barake, Risk Management Manager
Sarah Crawford, Training Specialist
David deBernardi, Director of Finance
Robert Greenfield, General Counsel
Chris Mizuno, Administrative Assistant II
Sylvia Robinson, Publications & Web Editor
Patricia Slaven, Director of Administration
Sandra Smith, Employee Benefits Manager
Dianna Sutton, Finance Manager
Karen Thesing, Director of Insurance Services
Bobbette Wells, Executive Assistant to the CEO *(Recording Secretary)*

OTHERS IN ATTENDANCE

See attendance list.

WELCOME/INTRODUCTIONS

Chairman Scaglione welcomed and introduced everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Scaglione called the meeting to order at 8:30 a.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.

EVACUATION PROCEDURES

Mr. Sells briefly reviewed the building evacuation procedures.

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.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

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

APPROVAL OF MINUTES

Chairman Scaglione called for approval of the minutes of the August 29, 2017 meeting.

> M/S/C (Ruettgers/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 August 29, 2017 meeting, as presented.

MEETINGS ATTENDED ON BEHALF OF THE JPIA

None reported.

ACTUARY REPORTS

Mujtaba Datoo and Tracy Fleck, both actuaries from Aon, presented an actuarial overview of the Liability, Property, and Workers' Compensation Programs. The discussion touched upon the outstanding liabilities as of September 30, 2017, projected losses for the upcoming fiscal year, and a historical perspective.

Ms. Fleck summarized that the Workers' Compensation Program liability decreased by $0.8 million from 2016 to 2017, the Liability Program increased by $3.6 million, and the Property Program increased by $0.1 million. The funding loss rate change from 2017/18 to 2018/19 in Work Comp was -2%, Liability +7%, and Property +2%.

CREATION OF CAPTIVE INSURANCE COMPANY

Mr. Sells updated the Committee on the possibility of creating a Captive Insurance Company. He explained that a Captive is an insurance company owned by the parent that underwrites the insurance needs of the organization.

Several advantages to a Captive are to better utilize assets, provide greater flexibility in managing retentions/limits/market fluctuations, and to create a layer of protection for potential adverse State of California actions.

The next steps are to identify necessary professionals, create a feasibility study, identify structure, and create an operational plan.

There was much discussion on this topic and many questions. Mr. Sells indicated that he would be giving a more in depth discussion at the pre-Board luncheon.

MISCELLANEOUS

Future Agenda Items
None stated.

Availability for Upcoming Meeting(s)
The next scheduled Finance & Audit Committee meeting, March 19, 2018, at 1:00 p.m. No conflicts were noted.

The Finance & Audit Committee meeting adjourned at 10:01 a.m.

JPIA FINANCE & AUDIT COMMITTEE MEETING

District / Organization	Name	Position
Alta Irrigation District	Irma Faria	Controller
Antelope Valley-East Kern Water Agency	Patti Rose	Office Manager
Calleguas Municipal Water District	Thom Slosson	Director
Calleguas Municipal Water District	Scott Quady	Director
Carpinteria Valley Water District	Alonzo Orozco	Director
Castaic Lake Water Agency	Jerry Gladbach	Director
Chino Basin Watermaster	Bob Kuhn	Director
Cucamonga Valley Water District	Kathy Tiegs	Director
El Toro Water District	Fred Adjarian	Director
Elk Grove Water District	Tom Nelson	Director
Elsinore Valley Municipal Water District	Phil Williams	Director
Florin Resource Conservation District	Patrick Lee	Finance Manager
Fresno Metropolitan Flood Control District	Ken Groom	Director
Friant Power Authority	Carl Janzen	Director
Friant Water Users Authority	Carl Janzen	Director
Helix Water District	DeAna Verbeke	Director
Henry Miller Reclamation District No. 2131	Palmer McCoy	Executive Assistant
Hi-Desert Water District	Roger Mayes	Director
Humboldt Bay Municipal Water District	Bruce Rupp	Director
Kern County Water Agency	Charles Wulff	Director
La Habra Heights County Water District	Pam McVicar	Director
La Puente Valley County Water District	William Rojas	Director
La Puente Valley Water District	Gina Herrera	Supervisor
Madera Irrigation District	Carl Janzen	Director
Madera-Chowchilla Water & Power Authority	Carl Janzen	Director
Main San Gabriel Basin Watermaster	Dan Arrighi	Director
Mission Hills Community Services District	Jim MacKenzie	Director
North Coast County Water District	Jack Burgett	Director
Palmdale Water District	Dennis LaMoreaux	General Manager
PFM Asset Management	Sarah Meacham	Managing Director
Rancho California Water District	Jack Hoagland	Director
Rancho California Water District	Eva Planzer	Asst. General Manager
Rancho California Water District	Eileen Dienzo	HR Manager
Rincon Del Diablo Municipal Water District	Jeff Umbrasas	Director of Finance
Rincon Del Diablo Municipal Water District	David Drake	Director
Rio Linda/Elverta Community Services District	Mitch Dion	General Manager
Rio Linda/Elverta Community Services District	Mary Henrici	Director
Rio Linda/Elverta Community Water District	Paul Green	Director
Rosamond Community Services District	Morrison MacKay	Director
Rowland Water District	Tom Coleman	General Manager
Sacramento Suburban Water District	Craig Locke	Director
San Bernardino Valley Municipal Water District	Steve Copelan	Director
San Bernardino Valley Water Conservation District	Melody McDonald	Director
San Gabriel Basin Water Quality Authority	Bob Kuhn	Director
Scotts Valley Water District	David Hodgin	Director
Solano Irrigation District	Lance Porter	Director

District / Organization	***Name***	***Position***
Solano Irrigation District	Cary Keaten	General Manager
South Coast Water District	Dennis Erdman	Director
South San Joaquin Irrigation District	Dale Kuil	Director
South Tahoe Public Utility District	Shannon Cotulla	Asst. General Manager
Suisun-Solano Water Authority	Pete Sanchez	Director
Tehachapi-Cummings County Water District	Jonathan Hall	Director
Three Valleys Municipal Water District	David de Jesus	Vice President
Tulare Irrigation District	Kathy Artis	Controller
Tuolumne Utilities District	Jim Grinnell	Director
Vista Irrigation District	Paul Dorey	Director
Walnut Valley Water District	Mike Holmes	General Manager
Western Municipal Water District	Al Lopez	Director
Yorba Linda Water District	Al Nederhood	Director
Yuba County Water Agency	Brent Hastey	ACWA VP
Yuima Municipal Water District	Bill Knutson	Director

ACWA/JPIA
Audited Financial Statements Year Ending September 30, 2017
March 19, 2018

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, 2016 through September 30, 2017.

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, 2017, and the results of its operations and cash flows for the year then 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 recommends that the Executive Committee approve the 2016/2017 audited financial statements as presented and forward to the Board of Directors at Spring Conference.

Prepared by: David deBernardi, Director of Finance Date prepared: March 6, 2018

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ASSOCIATION OF CALIFORNIA WATER AGENCIES

JOINT POWERS INSURANCE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2017

Prepared by
THE JPIA FINANCE DEPARTMENT

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Year Ended September 30, 2017

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INTRODUCTORY SECTION

YOUR BEST PROTECTION

February 28, 2018

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) for the year ended September 30, 2017, is hereby respectfully submitted. The JPIA Finance Department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the JPIA. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the JPIA as measured by the financial activity of its various programs and policy periods; and that all disclosures necessary to enable the reader to gain the maximum understanding of the JPIA's financial affairs have been included.

Gilbert Associates, a firm of licensed certified public accountants, has audited the JPIA's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the JPIA for the fiscal year ended September 30, 2017, 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 the JPIA's financial statements for the fiscal year ended September 30, 2017 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

ASSOCIATION OF CALIFORNIA WATER AGENCIES JOINT POWERS INSURANCE AUTHORITY PROFILE

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

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

As of September 30, 2017, the JPIA had 370 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.

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

LOCAL ECONOMY

The national economy has been improving at a hastening pace. From October 2016 through September 2017, the national unemployment rate declined from 5% to 4.2%. This puts the U.S. at a 17 year low. Meanwhile in the State of California, the unemployment rate went from 5.3% in September 2016 to 5.1% at the end of September 2017. This data suggests slower improvement in California. Initially forecasts of this data were in the range of 1.5% decline in unemployment. In other words, California's recent unemployment figures have been disappointing. The tapering off has come sooner than later. It was originally thought this would happen in 2018. The UCLA Anderson Forecast is now predicting California unemployment to fall to 4.6% by the end of 2019. In the City of Roseville, where the JPIA office resides, the unemployment rate moved from 4.1% in September 2016 to 3.6% in September 2017. This is fantastic data for the local area in which the JPIA operates! Investments are the area that the JPIA operates in that are most affected by the overall economy. Staffing continues to be stable within the JPIA. Since fiscal year 2012, the JPIA employees have enlarged from 42 to 49 in fiscal year 2017. The JPIA continues to experience employees retiring as the employment force ages. The JPIA again was able to continue its operations during fiscal year ended September 30, 2017 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 targeted at $18.5 million. The 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, the 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 the ACWA JPIA Executive Committee as a result of this meeting. The JPIA has scheduled a strategic planning meeting in February 2018.

In September 2012, the ACWA JPIA Executive Committee approved a monetary policy to cover funding for the Liability and Workers' Compensation Programs. The 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 the JPIA experiences adverse claims experience. The Catastrophic Reserve Fund is targeted 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 $38.1 million; a decrease of $.8 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.

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

INTERNAL ACCOUNTING CONTROLS

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

JPIA management is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles, and the activities and reporting of the JPIA are in compliance with relevant laws and regulations. Internal accounting controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

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

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the JPIA for its comprehensive annual financial report for the fiscal year ended September 30, 2016. 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 JPIA finances.

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

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

Respectfully Submitted,

X	X
Walter "Andy" Sells Chief Executive Officer	David deBernardi Director of Finance

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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
Melody A. McDonald	Director	San Bernardino Valley WCD
J. Bruce Rupp	Director	Humboldt Bay Municipal WD
Kathy Tiegs	Director	Cucamonga Valley Water
Walter "Andy" Sells	Chief Executive Officer	

Office Address

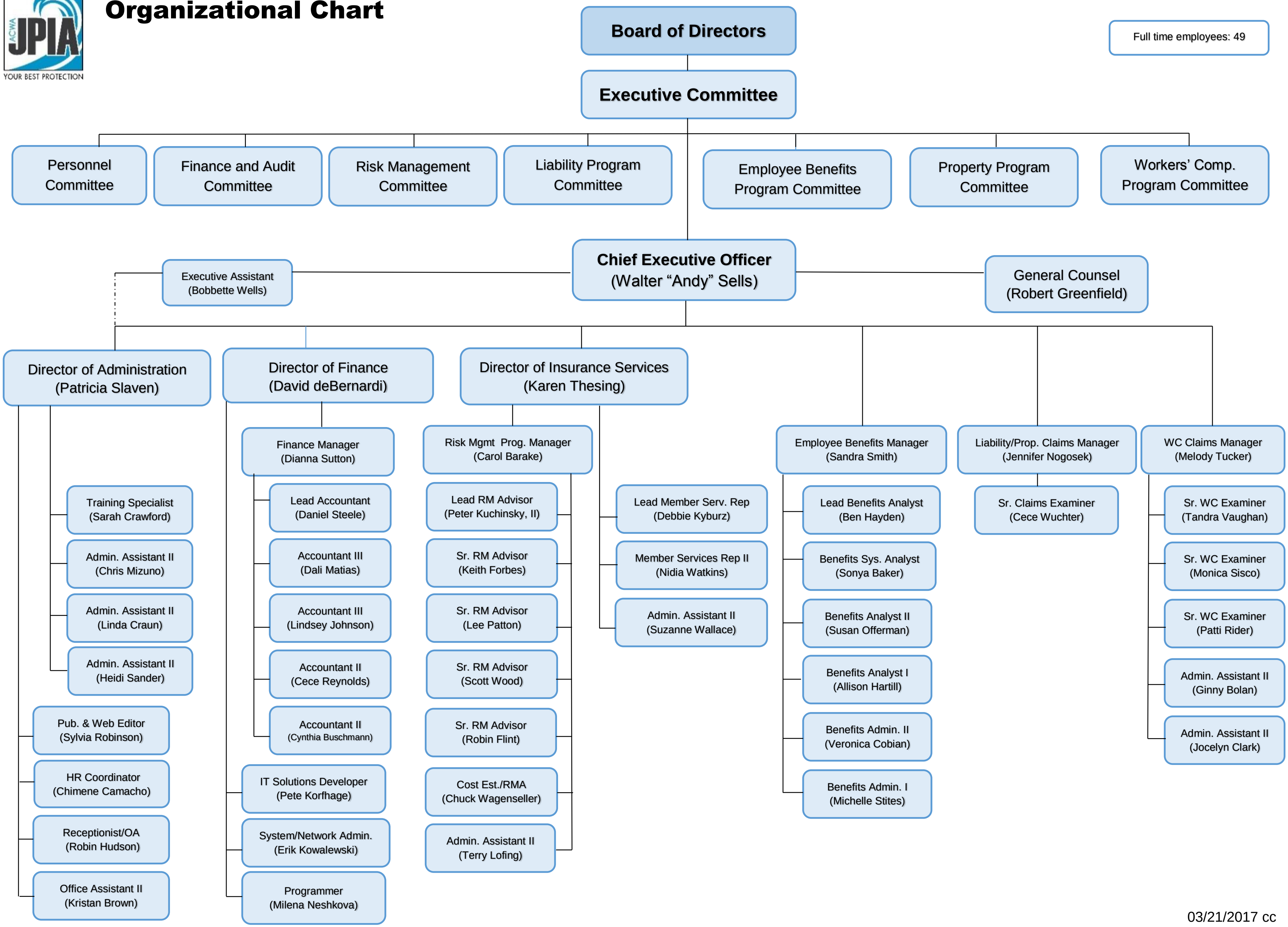
2100 Professional Drive
Roseville, California 95661

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

Effective March 10, 2017 16

Organizational Chart



03/21/2017 cc

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, 2016

Christopher P. Morrill

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

We have audited the accompanying financial statements of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) as of and for the year ended September 30, 2017, 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, 2017, 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 September 30, 2017 financial statements and the related notes to the financial statements that collectively comprise ACWA JPIA's basic financial statements. The Introductory Section, the "Memo only" column in the basic financial statements, the Supplementary Information section, and the Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary 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 Supplementary Information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, the "Memo only" column in the basic financial statements, and the Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the September 30, 2017 basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Month __, 2018, 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 __, 2018

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, 2017. We encourage readers to consider the information here in conjunction with the additional information that has been furnished in the 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, 2017. 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 2016 balances are presented as originally reported in the financial statements.

CONDENSED STATEMENTS OF NET POSITION

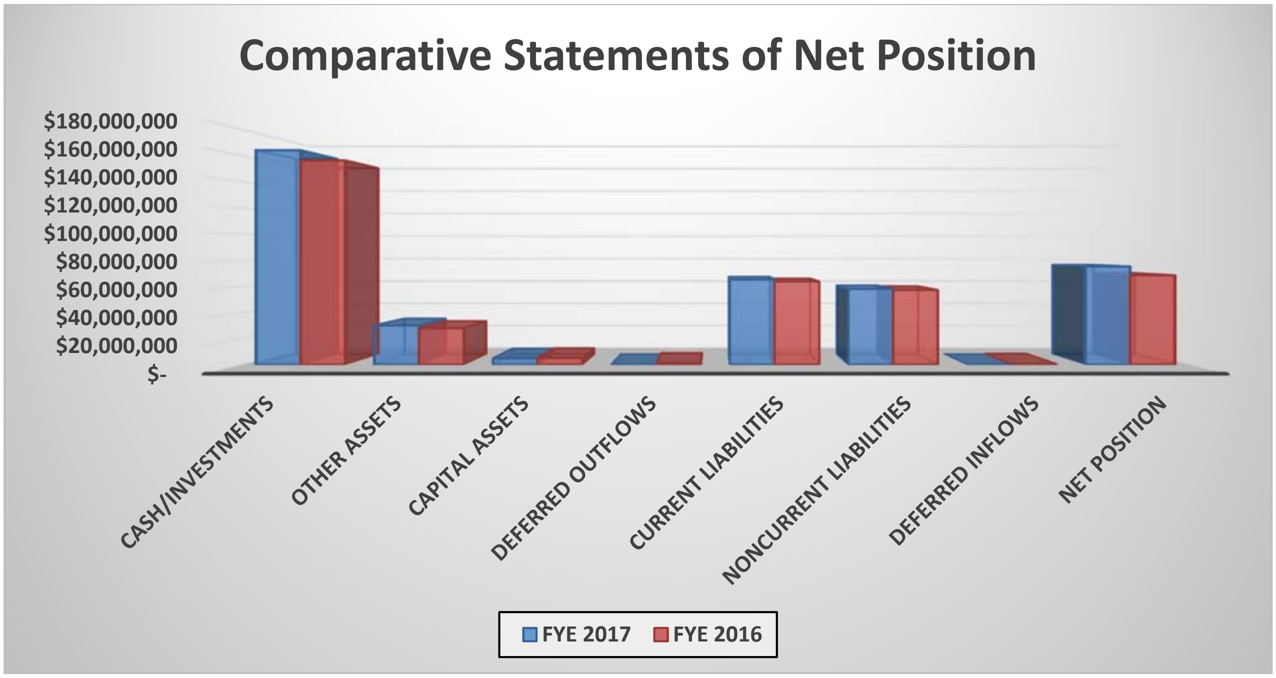
	9/30/2017	9/30/2016	2017 vs. 2016 Variance
ASSETS			
Other Assets	$194,525,555	$184,494,105	$10,031,450
Capital Assets	4,839,789	5,072,656	(232,867)
Total Assets	199,365,344	189,566,761	9,798,583
DEFERRED OUTFLOWS			
Related to Pensions	1,404,974	1,065,779	339,195
LIABILITIES			
Current Liabilities	65,377,439	63,978,099	1,399,340
Noncurrent Liabilities	58,494,030	57,496,224	997,806
Total Liabilities	123,871,469	121,474,323	2,397,146
DEFERRED INFLOWS			
Related to Pensions	1,576,175	454,600	1,121,575
NET POSITION			
Net Investment in Capital Assets	4,839,789	5,072,656	(232,867)
Unrestricted	70,482,885	63,630,961	6,851,924
TOTAL NET POSITION	$75,322,674	$68,703,617	$6,619,057

For the fiscal year 2016-17, the JPIA reports a 5% increase in total assets. While many factors contribute to this increase, the most notable being the rise in Anthem PPO pricing for calendar year 2017 by approximately 10%, while claim expenses for the year surprisingly only rose by 1%. This resulted in more cash being collected up front and boosting the JPIA's short term investments (explaining the majority of the increase in Other Assets). The JPIA Employee Benefits Committee originally chose to approve this increase to help alleviate the usage of the fund reserve's subsidization of the program for the last three years amid rising medical claim and pharmacy cost trends.

While 2017 PPO claims are currently trending at a minimal (3%) increase, the JPIA has experienced, historically, spikes in claim costs towards the end of each calendar year as plan participants attempt to fully utilize medical benefits before plan year's changeover. JPIA staff, fully adhering to liquidity requirements, chose to invest the excess cash collected from these higher premiums into CAMP (California Asset Management Program) and LAIF (Local Area Investment Fund), taking advantage of rising interest rates. Thus, approximately $9 million of the variance between 2017 and 2016 assets consists of these additional funds.

The effects of the recent California drought has had significant impact on some member districts, but a slow recovery can be seen as covered agencies have begun to increase staffing again. This rise in personnel hiring has yielded additional payroll numbers, driving the required premium up in both the Liability and Workers' Compensation programs. These higher premiums are reflected within the Current Liabilities section of the Statement of Net Position in the form of Unearned Premiums.

Overall, the JPIA's net position increased by over $6.6 million during fiscal year 2017. That amount consists of 2017 increases in the Rate Stabilization Fund of $2.5 million, the Employee Benefits Fund of $2.2 million, and the Catastrophic Reserve of $2 million.



The chart shown previously 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 increases in Other Assets and Net Position discussed earlier.

An analysis of the JPIA's 2017 revenues and expenses will reveal the overall increase in net position of the aforementioned $6.6 million. Primarily, premium paid increases contributed to this number, but it should also be noted that claims actually decreased by approximately $4.7 million. The impact on the change in net position is minimal, however, new actuarial studies on JPIA data projected claims "incurred but not reported" an additional $3.8 million. Consequently, total claims expense remained relatively consistent with prior year.

Non-operating revenues were reduced in the current fiscal year by approximately $1.6 million, primarily due to fair value changes within the JPIA's investment portfolio, a direct reflection of rising interest rate trends throughout the fiscal year. These rate increases have an adverse effect on the value of the portfolio as a whole, but boost the incentives of utilizing LAIF and Local Government Investment Pools (LGIP) like CAMP for short term investing. LAIF and CAMP provide fair returns while still meeting the company's liquidity needs. Additional cash collected from members needs to be accessible for short term future claim costs so it is advisable not to include these dollar amounts in the portfolio.

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

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

	9/30/2017	9/30/2016	2017 vs. 2016 Variance
OPERATING REVENUES			
Members Premiums	$171,496,710	$159,008,617	$12,488,093
Retrospective Premium Adjustments	(1,504,527)	(12,017,219)	10,512,692
Total Operating Revenues	169,992,183	146,991,398	23,000,785
OPERATING EXPENSES			
Provision for Claims	96,298,435	96,527,538	(229,103)
Excess Insurance	7,019,501	7,884,544	(865,043)
Benefit Premiums	49,856,370	46,279,783	3,576,587
General & Administrative	10,996,234	10,910,106	86,128
Total Operating Expenses	164,170,540	161,601,971	2,568,569
OPERATING INCOME (LOSS)	5,821,643	(14,610,573)	20,432,216
NON-OPERATING REVENUES			
Investment Income	797,414	2,380,372	(1,582,958)
CHANGE IN NET POSITION	6,619,057	(12,230,201)	18,849,258
NET POSITION, BEGINNING	68,703,617	80,933,818	(12,230,201)
NET POSITION, ENDING	$75,322,674	$68,703,617	$6,619,057

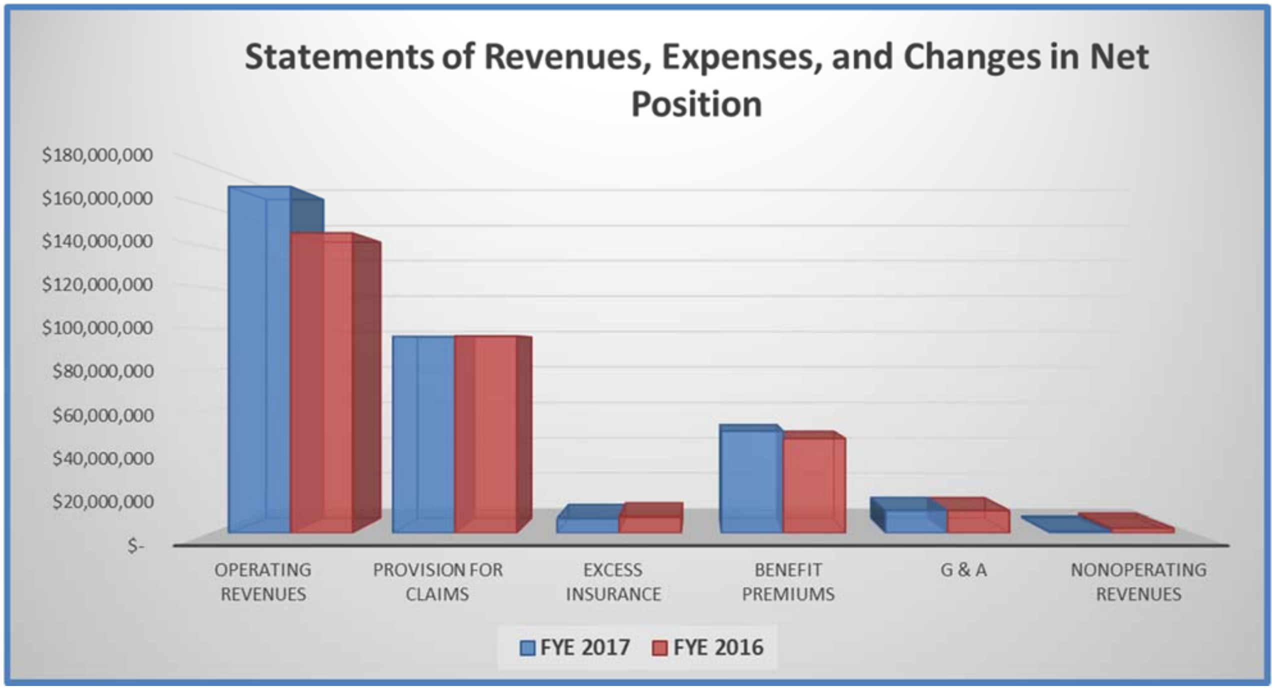
General and administrative (G&A) expenses appear relatively consistent from 2016 to 2017, but what should be disclosed in regards to this figure is the payment made by the JPIA to CalPERS in the amount of $1.3 million to cover the unfunded pension liability balance. The JPIA had paid this balance in full in 2015, but CalPERS' low returns as of June 30, 2016 created additional liability for member employers to contribute in order to reduce their unfunded liability. By paying off this liability, the JPIA will save an estimated $2.4 million in future interest.

JPIA staff consistently examines overhead spending and some critical decisions in regards to G&A expenses have recently centered on software. Throughout the 2017 fiscal year, almost $350,000 was spent on Employee Benefits program software, designed to help covered PPO plan participants in searching for financially competitive alternatives to medical procedures and other expenses.

Further analysis of the software's cost benefits have led JPIA staff to discontinue the use of the program heading into fiscal year 2017-18. Conceivably, the elimination of these fees could alleviate a sizable cost within the G&A section going forward.

Also noteworthy are the increased software costs to upgrade some of the JPIA's outdated systems. These changes are expected to offer greater efficiencies and technological advances to streamline processes in claims management and other data processing, saving the pool staff time and labor.

The following chart compares the components of the Statements of Revenues, Expenses, and Changes in Net Position of 2017 to 2016 and highlights the variances stated previously:

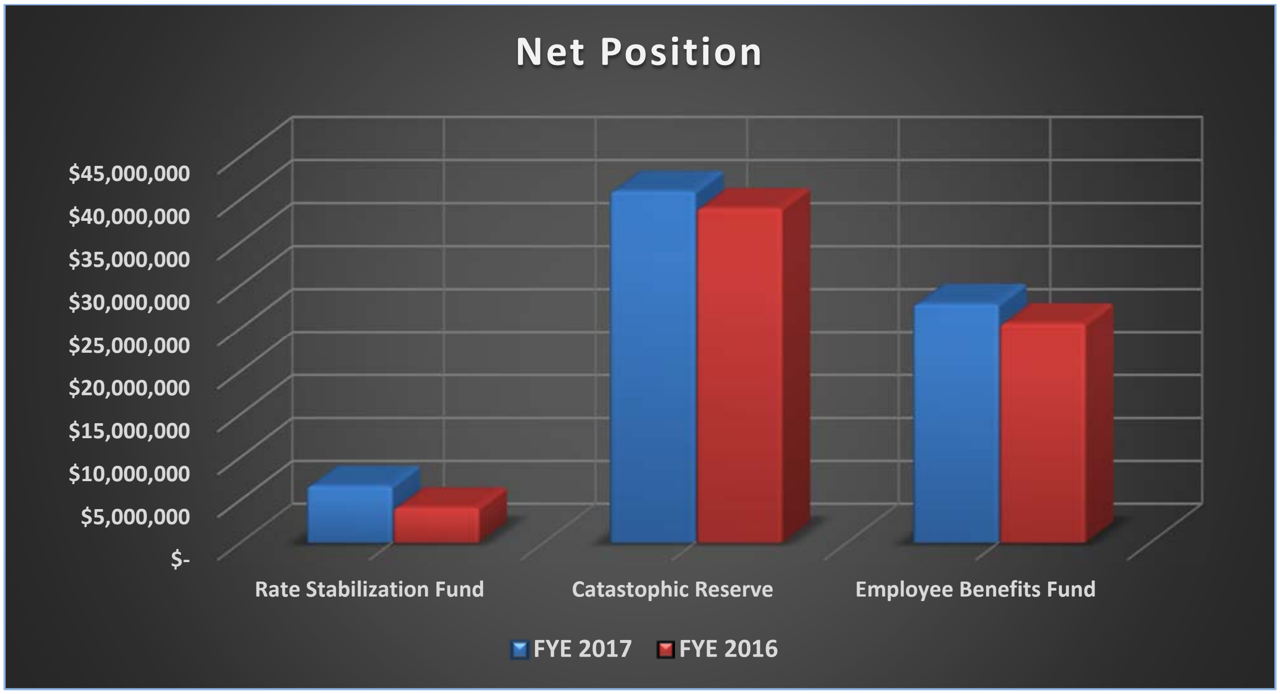


FINANCIAL HIGHLIGHTS

The ACWA JPIA Executive Committee determines the level of capital funds required to hold for the risk pool as a whole. The JPIA has held firm to these limits unless otherwise directed. Net position consists of three main funds and is reported as follows:

- <u>The Employee Benefits Fund</u> represents equity originally purchased from the Health Benefits Authority in July 2012, and has been used to cover the subsidization of premiums on a need by need basis. Use of the fund is regularly analyzed by the Employee Benefits Committee. This fund grants 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 industry` 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.
- New in 2015, the Executive Committee agreed to establish a fund for the Property program titled the *Natural Disaster Fund*. This $500 thousand annual set-aside fund covers natural disasters that would otherwise create a policy year anomaly.



The previous graph illustrates the year to year changes in the three funds making up the JPIA's net position from 2016 to 2017. As mentioned earlier, the Employee Benefits Fund grew by $2.2 million. The additional premiums, coupled with lower than expected claims costs at September 30, 2017 have given staff more flexibility in pricing and other cash management decisions for the next year or so with this additional cushion.

The Catastrophic Fund net changes were minimal and the Natural Disaster Fund remained consistent with regular contributions and no disbursements were made in 2017.

The Rate Stabilization Fund increase included several key 2017 adjustments to bring it up to the $6 million figure displayed above. Refunds to member districts were awarded in the early part of 2017 in the amount of $4.7 million. Retrospective Premium adjustments for Liability, Property, and Workers' Compensation totaled $9.5 million. Catastrophic funds were also added totaling almost $1.5 million. Finally, the 10% program for Liability (used to cap member premium increases to 10%) drew out $1.5 million. These factors make up the majority of the $2.5 million Rate Stabilization Fund changes from 2016 to 2017.

CASH AND INVESTMENTS

Cash and investments make up over 80% of the JPIA's assets. At year end September 30, 2017, total cash and investments were $164 million, an increase of $7.7 million from prior year. This increase was primarily the result of the aforementioned pricing increases in the Employee Benefit PPO program, providing the pool with extra cash to be temporarily invested within LAIF and CAMP both liquidity purposed set-aside funds. Amid the rising interest rate environment, the competitive rates offered by LAIF and CAMP not only help the JPIA as far as yield is concerned, but also liquidity needs (should the expected demand for November and December claims come to fruition).

The JPIA continued the recent trend of adding asset-backed securities and supranationals, in an effort to solidify diversification and A-rated security in the portfolio, as well as adding some additional yield. Government agency securities continue to be reduced in the portfolio, as nearly $17.8 million were sold and reinvested into alternative securities.

An analysis of cash provided by operating activities can be found on the Statement of Cash Flows. The additional premiums collected in the Employee Benefits program helped boost the "Cash received from members", the most influential change in net cash provided by operating activities. Overall, this additional premium led to a $7.6 million increase in cash and cash equivalents at year end.

The JPIA also experienced a considerable inflow of funds from the employee benefits' excess carrier in the amount of over $4.6 million, as the 2016 policy year (paid out in 2017) included several "high-dollar" claims that well-exceeded the self-insured retention level of $500,000. This attributes for the majority of the $5.1 million accounted for on the Statement of Cash Flows' "Cash received from excess/aggregate insurance section, considerably higher than the $2.9 million reported in 2016.

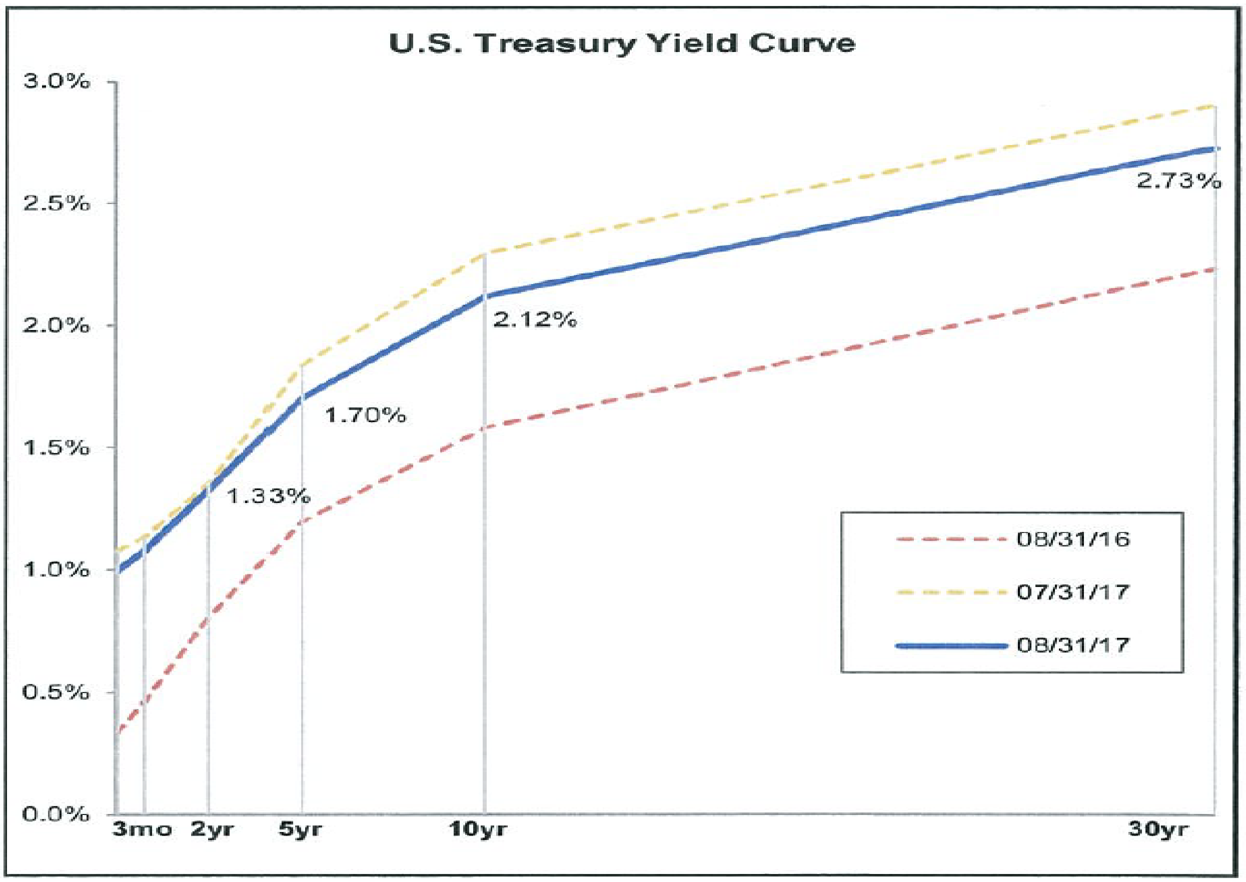
It should also be noted that the JPIA did pay out over $4.7 million in Retrospective Premium Adjustments back to the member districts. This figure was only about $1 million in 2016 so it is evident the company utilizes additional premiums to strengthen the pool's financial viability so that when the time comes, these refunds are as prominent as possible. This reflects the JPIA's goal to return unused premiums to members when it is appropriate to do so.

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 next page) tracks the yield volatility of fiscal year 2017, with spikes in January 2017 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.

Investment income in 2017 resembled the income reported from 2016 with minimal change. Though short term returns on Local Government Investment Pools (LGIPs) like LAIF and CAMP gradually rose just over 1.0%, the overall portfolio suffered equivalent losses (rising interest rates) so income levels remained somewhat consistent at approximately $2.1 million.

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 U.S. Treasury Yield Curve trends at 3 months, 2 years, 5 years, 10 years, and 30 years for reference.



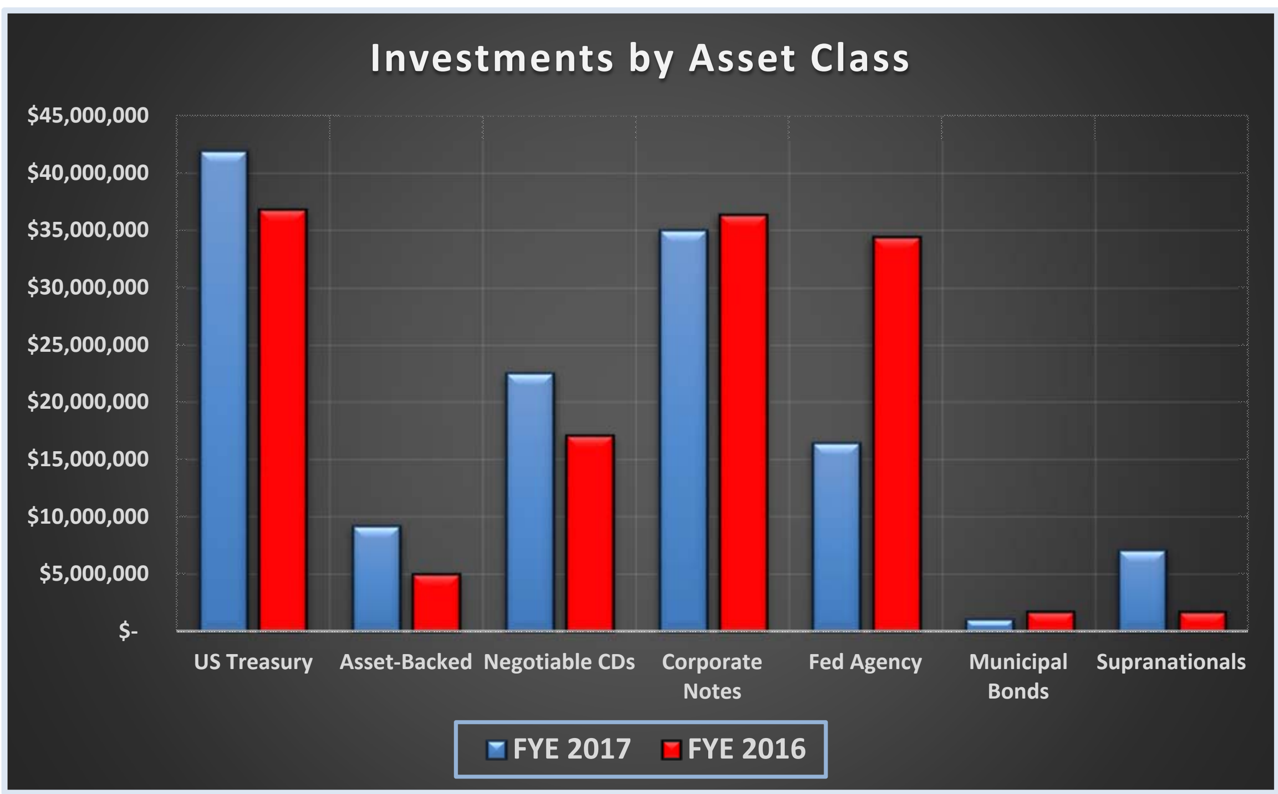
Source: Bloomberg. Data as of August 31, 2017 unless otherwise noted.

The JPIA internally manages the cash liquidity 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 investment policy is formulated to fully comply with California state prudent investor standards that emphasize the safeguarding of principal first, followed by meeting liquidity requirements, and finally, yield optimization.

The changes from 2016 to 2017 are apparent in PFM's investment strategy for the JPIA, continuing to focus more on broadening diversity (adding asset-backed securities and supranationals for example) and phasing out underperforming U.S. Treasury and federal agency securities (please note that Federal Agency securities like Fannie Mae and Freddy Mac are being phased out nationwide, evident in the profound 2017 reduction in the graph below). The addition of $4 million in asset-backed securities, as well as $5.4 million in supranationals have given the portfolio a somewhat different look compared to portfolios of 5 to 10 years ago.

Overall, the total investment portfolio is valued at $133 million at year end, a mere increase of $156,000 from September 30, 2016. The following chart compares the totals by investment class between the two fiscal years:



CAPITAL ASSET ACTIVITY

The 2017 fiscal year had very little activity in regards to acquiring capital assets. Accumulated depreciation for the period totaled $254,843.

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 (2017-2018). But all of these following items 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 the market for these new California agencies to possibly assist in helping with basic insurance needs. At this time, Public Officials Errors & Omissions coverage has been implemented but as these agencies add payroll and expand staffing, the management team will endeavor to help these GSA's enroll and utilize coverage from other JPIA programs as well.
- 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 currently faces in regards to cyber liability, as hackers and other electronic-based threat sources 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 where possible. Additional coverage may be added for those districts looking for more complex security.
- Drones – An emerging industry risk has been the recent popularity and 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.
- Leadership Training – The JPIA continues to invest in leadership training for members, as well as its internal staff. As the baby boomer generation trend of retiring in mass numbers continues, successfully managing staff changes and using strategic planning to address the upcoming succession challenges are critical in reducing claims and meeting the JPIA members' leadership needs.
- Alliant Property Insurance Program (APIP) – The JPIA is looking to implement the APIP program April 1, 2018. APIP will enable the JPIA to provide broader coverage and higher limits. Even though the property insurance market is expected to be more expensive this upcoming year with the recent natural disaster activity throughout the state of California, the APIP program should provide better overall value for members. The program may also reduce costs by the absorption of certain JPIA pass through programs into the main Property Program.
- Captive Insurance Organization – The JPIA plans to investigate the potential benefits of utilizing a captive insurance organization, specializing in layered excess

coverage. Some of the benefits expected from setting up a possible captive organization could be the better utilization of assets, as well as potentially helping the JPIA provide greater flexibility in managing retentions, limits and/or market fluctuations.

- CalPERS Unfunded Pension Liability - CalPERS is expected to lower their discount rate from 7.5% to 7% over a three year period. During this time, CalPERS' members may have to contribute additional funds in order to become fully funded. CalPERS reported an 11.2% return as of June 30, 2017. However, the higher returns will not be enough to significantly reduce employer contribution increases due to the lowering of the discount rate to 7%. This may cost the JPIA over $1 million a year for the next 3 years.

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 access to the most current approved and independently audited financial reports. 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, 2017

	2017	Memo only 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 31,048,772	$ 23,447,757
Investments	9,027,994	16,108,177
Member premiums receivable	23,010,427	21,560,366
Investment income and other receivables	651,964	579,908
Excess insurance proceeds receivable	200,776	244,272
Retrospective premium adjustment receivable	1,865,185	820,025
Prepaid expenses	1,706,845	1,937,193
TOTAL CURRENT ASSETS	67,511,963	64,697,698
NONCURRENT ASSETS		
Investments	124,018,528	116,782,310
Retrospective premium adjustment receivable	712,049	728,414
Net other post employment benefits	2,283,015	2,285,683
Capital assets - net	4,839,789	5,072,656
TOTAL NONCURRENT ASSETS	131,853,381	124,869,063
TOTAL ASSETS	199,365,344	189,566,761
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	1,404,974	1,065,779
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,745,287	1,262,584
Unearned member premiums	32,205,188	29,480,602
Retrospective premium adjustment payables	10,947,132	12,825,376
Provision for claims	20,479,832	20,409,537
TOTAL CURRENT LIABILITIES	65,377,439	63,978,099
NONCURRENT LIABILITIES		
Retrospective premium adjustment payables	17,274,023	19,149,724
Net pension liability	550,282	1,348,385
Claims reserves	8,398,975	8,748,661
Claims incurred but not reported	29,092,275	25,236,423
Unallocated loss adjustment liability	3,178,475	3,013,031
TOTAL NONCURRENT LIABILITIES	58,494,030	57,496,224
TOTAL LIABILITIES	123,871,469	121,474,323
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	1,576,175	454,600
NET POSITION		
Net investment in capital assets	4,839,789	5,072,656
Unrestricted	70,482,885	63,630,961
TOTAL NET POSITION	$ 75,322,674	$ 68,703,617

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

	2017	Memo only 2016
OPERATING REVENUES		
Member premiums	$ 171,496,710	$ 159,008,617
Retrospective premium adjustments	(1,504,527)	(12,017,219)
TOTAL OPERATING REVENUES	169,992,183	146,991,398
OPERATING EXPENSES		
Claims expense:		
Claims paid	92,556,531	97,258,190
Change in claims reserves	(255,677)	(1,008,442)
Change in claims incurred but not reported	3,832,135	(3)
Change in unallocated loss adjustment expense	165,446	277,793
Total claims expense	96,298,435	96,527,538
Excess insurance	7,019,501	7,884,544
Benefit premiums	49,856,370	46,279,783
General and administrative	10,741,391	10,642,018
Depreciation	254,843	268,088
TOTAL OPERATING EXPENSES	164,170,540	161,601,971
OPERATING INCOME (LOSS)	5,821,643	(14,610,573)
NONOPERATING REVENUES		
Investment income	2,106,141	2,123,200
Net increase (decrease) in investment fair value	(1,308,727)	257,172
TOTAL NONOPERATING REVENUES	797,414	2,380,372
CHANGE IN NET POSITION	6,619,057	(12,230,201)
NET POSITION, BEGINNING OF YEAR	68,703,617	80,933,818
NET POSITION, END OF YEAR	$ 75,322,674	$ 68,703,617

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

	2017	Memo only 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	$ 170,760,886	$ 148,069,037
Cash received from excess/aggregate insurance	5,141,876	2,936,142
Payments for claims	(92,556,531)	(97,258,190)
Payments for excess/aggregate claims	(4,668,494)	(1,431,905)
Payments for excess insurance	(7,019,501)	(7,934,406)
Payments for benefit premiums	(49,856,370)	(46,279,783)
Payments for billings & RPA fund	(4,713,370)	(1,077,369)
Payments to vendors	(3,552,557)	(3,292,217)
Payments to employees	(6,554,327)	(6,513,052)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,981,612	(12,781,742)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(21,976)	(39,786)
Proceeds from sale of building	0	867,268
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(21,976)	827,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,350,251	1,836,847
Purchase of investments	(77,770,405)	(92,669,805)
Proceeds from maturities of investments	76,061,533	87,861,474
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	641,379	(2,971,484)
Increase (decrease) in cash and cash equivalents	7,601,015	(14,925,745)
Cash and cash equivalents, beginning of year	23,447,757	38,373,502
Cash and cash equivalents, end of year	$ 31,048,772	$ 23,447,757
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ 5,821,643	$ (14,610,573)
Adjustments to net cash used by operating activities:		
Depreciation of capital assets	254,843	268,088
Change in member premiums receivable	(1,450,061)	(10,886,800)
Change in excess insurance proceeds receivable	43,496	1,725,523
Change in retrospective premium adjustment receivable	(1,028,795)	3,638,782
Change in other post employment benefits (OPEB)	2,668	4,808
Change in other receivables and prepaids	158,292	(365,241)
Change in note receivable	0	825,000
Changes in net pension liability and deferred outflows/inflows related to pensions	(15,723)	(44,913)
Changes in payables and accrued expenses and other expenses	482,703	158,118
Change in unearned member premiums	2,724,586	1,085,781
Change in retrospective premium adjustment payables	(3,753,945)	6,150,337
Change in claims liabilities	3,741,905	(730,653)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 6,981,612	$ (12,781,743)
NON CASH ITEMS		
Change in unrealized fair value of investments	$ (1,308,727)	$ 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, 2017

(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

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2017

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
10/1/16 - 9/30/17	5,000,000

Excess of: $5,000,000 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 - 3/31/18	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

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2017

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 - 6/30/18	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 through Stealth Partner Group, LLC 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, 2017. 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 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.

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Allocation of Indirect Expenses – Indirect expenses are allocated among insurance programs based on an internal employee survey for estimated time spent on each of the JPIA programs. In May of 2017, staff leadership conducted a new survey to update the allocation percentages for each program based on more current workflow estimates. The Liability program allocation is 30%, the Workers' Compensation program is 36%, Employee Benefits is at 20%, and the Property program is 14%.

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 JPIA's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

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.

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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, 2017 in any one issuer, other than U.S. Treasury Securities, LAIF and LGIP, that represent 5% or more of the total ACWA JPIA portfolio are Federal Agency Securities and are reported as follows:

Issuer	Market Value
Federal National Mortgage Corp.	$7,712,966
Federal Home Loan Bank	$7,000,205

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.

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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, 2017 are as follows:

Authorized Investment Type	Market Value	Effective Duration
U.S. Treasury Obligations	$41,895,532	3.422
Federal Agency Securities	14,713,171	2.649
Federal Mortgage Backed Securities	1,681,454	0.746
Medium-Term Notes	29,976,794	2.801
Asset-Backed Securities/CMOs	9,148,555	1.619
Negotiable Certificates of Deposit	22,525,386	1.434
Commercial Paper	5,000,000	0.166
Municipal Bonds	1,048,173	1.145
Supranationals	7,057,457	2.359

Local Agency Investment Funds (LAIF) – 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.

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Disclosures Relating to Credit Risk

Authorized Investment	Amount	Aaa/P-1	Aa (1-3)	A (1-3)	Baa**	Not Rated
September 30, 2017						
Cash	$ 200	$ 0	$ 0	$ 0	$ 0	$ 200
Deposits with Financial Institutions	7,884,907					7,884,907
Asset-Backed Securities	9,148,555	8,132,053				1,016,502
Negotiable Certificates of Deposit	22,525,386	2,428,347	9,180,340	10,916,699		
LGIP (Managed Pool Account)*	7,038,607					7,038,607
LAIF	16,125,058					16,125,058
U.S. Treasury Obligations	41,895,532	41,895,532				
Federal Agency Securities	14,713,171	14,713,171				
Federal Mortgage-Backed Secur.	1,681,454	1,681,454				
Municipal Bonds	1,048,173		360,781	687,392		
Commercial Paper	5,000,000		5,000,000			
Medium-Term Notes	29,976,794	1,410,191	2,144,998	25,157,919	1,263,686	
Supranationals	7,057,457	7,057,457				
Totals	$164,095,294	$77,318,205	$16,686,119	$36,762,010	$1,263,686	$32,065,274

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 $7,038,607 in CAMP. This investment is not rated by Moody's but is, however, rated AAAm by Standard and Poor's.
**Portfolio securities rated Baa by Moody's satisfy the ACWA JPIA Investment Policy minimum rating requirement with an "A" rating by Fitch.

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*):

- 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 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, 2017:

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	$ 41,895,532	$41,895,532	
Asset-Backed Securities	9,148,555		$9,148,555
Negotiable Certificates of Deposit	22,525,386		22,525,386
Medium-Term Notes	29,976,794		29,976,794
Commercial Paper	5,000,000		5,000,000
Federal Agency Securities	14,713,171		14,713,171
Federal Mortgage-Backed Secur.	1,681,454		1,681,454
Municipal Bonds	1,048,173		1,048,173
Supranationals	7,057,457		7,057,457
Totals	**$133,046,522**	**$41,895,532**	**$91,150,990**

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.

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(4) Capital Assets

The following is a schedule of changes in capital assets for the year ended September 30, 2017:

	9/30/2016	Additions	Deductions	Transfers	9/30/2017
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	571,215	21,976	0	0	593,191
Software	478,141	0	0	0	478,141
Total Depreciable Assets	6,385,391	21,976	0	0	6,407,367
LESS ACCUMULATED DEPRECIATION:					
Building & Improvements	(1,028,011)	(179,073)	0	0	(1,207,084)
Furniture & Equipment	(521,712)	(29,417)	0	0	(551,129)
Software	(353,557)	(46,353)	0	0	(399,910)
Total Accumulated Depreciation	(1,903,280)	(254,843)	0	0	(2,158,123)
Capital Assets - Net	$5,072,656	$(232,867)	$ 0	$ 0	$ 4,839,789

(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, 2017. 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 a Rate Stabilization Fund for the Liability Program to help stabilize future RPAs. The JPIA maintains a separate Rate Stabilization Fund for each member and future RPAs are to flow through the member's individual Rate 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 for the difference. During the fiscal year 2002-03 the Rate Stabilization Fund was expanded to include the Property and Workers' Compensation Programs.

(6) Reconciliation of Claims Liabilities

At September 30, 2017, unpaid losses of $64,310,105 are presented at the net present value of $61,149,557. 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, 2017:

Discounted Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$57,407,652
Incurred Claims and Claim Adjustment Expenses:	
Provision for Insured Events of the Current Fiscal Year	90,245,732
Increase in Provision of Insured Events of Prior Fiscal Years	6,052,704
Total Incurred Claims and Claim Adjustment Expenses	96,298,436
PAYMENTS:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	66,622,151
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	25,934,380
Total Payments	92,556,531
Discounted Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	**$61,149,557**
Components of Claims Liability:	
Provision for Claims (Current)	$20,479,832
Claims Reserves	8,398,975
Claims Incurred But Not Reported	29,092,275
Unallocated Loss Adjustment Liability	3,178,475
Total Claims Liability	**$61,149,557**

(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 Rate 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 Rate Stabilization Fund. If the CAT fund is underfunded, collections can be transferred from the Rate Fund if the funds are available. The Rate Stabilization 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, 2017:	
Catastrophic (CAT)/Natural Disaster Fund	$40,960,711
Employee Benefits Fund	27,706,287
RPA Stabilization Fund	6,655,676
Net Position	$75,322,674

(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

ACWA JPIA provides pension benefits to its employees through ACWA 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. ACWA JPIA had less than 100 active members as of the June 30, 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.

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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 December 2012 must be at least 52 to be eligible for service retirement.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS’ annual actuarial valuation process. The Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. ACWA JPIA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. ACWA JPIA’s required contribution rate on covered payroll for the measurement period ended June 30, 2017 (the measurement date) was 8.262% and 6.930% 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, 2017, the employer contributions to the plan were $1,698,123, which included an additional elective contribution of $1,348,385 to reduce the Net Pension Liability as of September 30, 2017.

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

ACWA JPIA’s Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2017 for the year ended September 30, 2017. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. As of September 30, 2017, ACWA JPIA’s proportionate share of the Plan’s net pension liability (NPL) was $550,282.

Using ACWA JPIA’s 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 ACWA JPIA by the actuary. ACWA JPIA’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Plan
Proportion - June 30, 2016	.038815%
Proportion - June 30, 2017	.013959%
Change - decrease	.024856%

For the year ended September 30, 2017, ACWA JPIA recognized pension expense of $1,682,371.

At September 30, 2017, ACWA 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	$ 8,584	$ (122,980)
Changes in assumptions	1,065,060	(81,212)
Net differences between projected and actual investment earnings of pension plan investments	240,873	
Changes in proportions		(718,515)
Changes in proportionate share of contributions		(653,468)
Pension contributions subsequent to measurement date	90,457	
Total	$ 1,404,974	$ (1,576,175)

As of September 30, 2017, the $90,457 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, 2018. As of September 30, 2017, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense (benefit) as follows:

Year Ended September 30	
2018	$ (225,161)
2019	133,316
2020	(26,802)
2021	(143,011)

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the TPL was determined by rolling forward the June 30, 2016 TPL. The June 30, 2017 TPL was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
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

In 2017, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the TPL was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
frastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
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.

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

The following presents ACWA JPA's Proportional Share of the NPL of the Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 7.65%, as well as what ACWA JPA'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%)
ACWA JPIA's Proportionate Share of Plan's NPL	$ 857,809	$ 550,282	$ 295,583

(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, 2017, there were fifteen 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%

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 5.5%.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, 2017:	
Annual required contribution	$ 202,203
Interest on net OPEB obligation	(167,219)
Adjustment to annual required contribution	167,219
Annual OPEB cost	202,203
Contributions made:	
Premiums paid	141,119
Implicit Subsidy	18,605
Prefunding contributions	39,811
Net contributions	199,535
Change in net OPEB asset	2,668
Net OPEB Obligation (Asset) at beginning of year	(2,285,683)
Net OPEB Obligation (Asset) at end of year	$(2,283,015)

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)
9/30/2015	191,570	195,325	102%	(2,290,491)
9/30/2016	194,185	189,377	98%	(2,285,683)
9/30/2017	202,203	199,535	99%	(2,283,015)

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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.

REQUIRED SUPPLEMENTARY INFORMATION

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RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

SEPTEMBER 30, 2017

	Liability Program	Property Program	Workers' Compensation Program	Employee Benefits Program	Total
Unpaid Claims and Claim Adjustment at Beginning of the Fiscal Year	$ 19,445,247	$ 1,203,684	$ 28,938,178	$ 7,820,543	$ 57,407,652
Incurred Claims and Allocated Claim Adjustment Expense:					
Provisions for Insured Events of the Current Fiscal Year	11,948,999	923,490	6,421,278	70,951,965	90,245,732
Increase (Decrease) in Provision for Incurred Events of Prior Fiscal Years	(2,806,947)	100,683	(871,682)	9,630,650	6,052,704
Total Incurred Claims and Allocated Claim Adjustment Expenses	9,142,052	1,024,173	5,549,596	80,582,615	96,298,436
Payments					
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	1,702,912	729,548	1,183,223	63,006,468	66,622,151
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	4,604,733	527,441	3,351,013	17,451,193	25,934,380
Total Payments	6,307,645	1,256,989	4,534,236	80,457,661	92,556,531
Discounted Unpaid Claims and Allocated Claim Adjustment Expense at the End of the Fiscal Year:	$ 22,279,654	$ 970,868	$ 29,953,538	$ 7,945,497	$ 61,149,557
Components					
Provision for Claims (Current)	$ 5,738,333	$ 556,132	$ 6,239,870	$ 7,945,497	$ 20,479,832
Claims Reserves	3,129,046	368,504	4,901,425	0	8,398,975
Claims Incurred But Not Reported	12,892,488	0	16,199,787	0	29,092,275
Unallocated Loss Adjustment Liability	519,787	46,232	2,612,456	0	3,178,475
Total Claims Liability	$ 22,279,654	$ 970,868	$ 29,953,538	$ 7,945,497	$ 61,149,557

ASSOCIATION CALIFORNIA WATER AGENCIES
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TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
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LIABILITY PROGRAM

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
1. Required contribution and investment revenue:										
Earned	$ 19,359,349	$ 18,218,697	$ 18,868,902	$ 18,956,230	$ 19,797,329	$ 17,693,239	$ 16,891,825	$ 15,692,223	$ 15,795,996	$ 16,319,993
Ceded	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	2,750,091
Net earned	14,432,521	13,312,308	14,260,035	14,360,811	15,652,236	13,612,939	13,232,408	12,057,506	11,920,246	13,569,902
2. Unallocated expenses	2,081,532	3,363,163	2,066,345	2,237,678	2,428,901	1,667,719	2,054,332	1,931,071	1,768,771	1,509,736
3. Estimated claims and expenses end of policy year:										
Incurred	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	12,623,498
Ceded	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	949,000
Net incurred	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	11,674,498
4. Net paid (cumulative) as of :										
End of policy year	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	1,702,912
One year later	1,853,377	2,482,488	2,768,106	2,536,953	2,347,481	2,892,313	3,985,953	4,630,229	5,197,925	
Two years later	2,085,152	4,668,354	4,178,258	3,380,763	5,333,836	4,419,948	5,066,762	5,405,345		
Three years later	2,383,841	7,081,902	4,952,630	3,840,217	6,184,173	4,569,894	5,883,558			
Four years later	2,750,344	7,645,834	4,962,995	4,731,053	6,176,719	4,592,713				
Five years later	3,561,241	7,933,851	5,128,754	4,572,283	6,345,207					
Six years later	3,566,680	8,575,171	5,185,572	4,572,301						
Seven years later	3,566,530	8,609,827	5,123,625							
Eight years later	3,566,530	8,601,300								
Nine years later	3,566,530									
5. Reestimated claims and expenses:	0	5,196,566	58,000	14,000	33,000	42,000	9,196,000	352,000	874,000	949,000
6. Reestimated net incurred claims and expenses:										
End of policy year	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	11,674,498
One year later	4,525,102	6,818,148	6,683,075	6,436,591	7,445,949	6,729,662	10,676,485	8,611,154	10,817,319	
Two years later	3,568,668	7,278,037	6,092,815	4,951,214	6,853,715	6,742,879	9,275,901	7,454,187		
Three years later	3,913,545	9,129,176	6,150,522	4,825,003	8,546,852	5,191,809	8,487,171			
Four years later	3,641,003	10,326,885	5,420,192	5,343,648	6,607,018	4,744,468				
Five years later	3,562,805	10,248,532	5,423,372	4,697,574	7,399,352					
Six years later	3,566,680	10,193,683	5,248,260	4,850,372						
Seven years later	3,566,678	8,966,967	5,144,785							
Eight years later	3,566,529	8,601,301								
Nine years later	3,566,529									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ (2,874,496)	$ 423,858	$ (1,501,981)	$ (3,204,789)	$ (761,586)	$ (3,793,340)	$ (675,244)	$ (4,597,548)	$ (703,906)	$ 0

ASSOCIATION CALIFORNIA WATER AGENCIES
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TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2017

PROPERTY PROGRAM

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
1. Required contribution and investment revenue:										
Earned	$ 4,194,825	$ 3,925,177	$ 4,143,017	$ 4,397,768	$ 4,607,305	$ 4,875,627	$ 5,111,274	$ 5,312,690	$ 5,062,313	$ 5,273,223
Ceded	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	1,523,521
Net earned	1,966,855	1,673,345	1,499,648	1,542,031	1,556,537	1,506,641	2,390,785	2,994,429	3,535,313	3,749,702
2. Unallocated expenses	56,524	92,801	193,540	200,019	309,319	192,097	395,207	1,745,561	1,648,279	1,562,082
3. Estimated claims and expenses end of policy year:										
Incurred	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	5,960,208
Ceded	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	4,226,383
Net incurred	1,267,613	553,459	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573	1,733,825
4. Net paid (cumulative) as of :										
End of policy year	800,917	464,893	692,003	775,702	661,882	596,198	952,945	611,312	847,420	1,275,484
One year later	682,101	512,365	694,396	790,438	760,239	616,432	1,052,728	778,469	848,772	
Two years later	697,498	512,122	689,284	790,438	822,930	615,623	1,047,753	808,445		
Three years later	696,769	511,822	689,621	801,074	922,930	615,623	1,047,753			
Four years later	696,769	512,340	689,621	801,074	922,930	615,623				
Five years later	696,769	512,340	689,621	801,074	922,930					
Six years later	696,769	512,340	689,621	801,074						
Seven years later	696,769	512,340	689,621							
Eight years later	696,769	512,340								
Nine years later	696,769									
5. Reestimated claims and expenses:	1,375,733	189,526	2,405,483	1,693,575	1,635,785	657,678	363,000	22,282	486,000	4,226,383
6. Reestimated net incurred claims and expenses:										
End of policy year	1,267,613	553,459	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573	1,733,825
One year later	682,301	522,443	704,286	810,318	767,256	618,919	1,052,729	1,039,107	870,772	
Two years later	697,712	514,843	699,244	790,438	899,853	615,623	1,047,754	809,445		
Three years later	696,769	514,594	699,611	801,074	922,930	615,623	1,107,754			
Four years later	696,770	512,340	689,621	801,074	922,930	615,623				
Five years later	696,769	512,340	689,621	801,074	922,930					
Six years later	696,769	512,340	689,621	801,074						
Seven years later	696,769	512,340	689,621							
Eight years later	696,769	512,340								
Nine years later	696,769									
7. (Decrease) in estimated incurred claims and expense from end of policy year	$ (570,844)	$ (41,119)	$ (24,364)	$ (20,488)	$ 129,772	$ (102,256)	$ (97,814)	$ (42,827)	$ (801)	$ 0

ASSOCIATION CALIFORNIA WATER AGENCIES
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TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
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WORKERS' COMPENSATION

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
1. Required contribution and investment revenue:										
Earned	$ 12,215,759	$ 9,893,095	$ 10,799,415	$ 12,171,161	$ 12,371,144	$ 13,129,869	$ 12,425,163	$ 12,273,187	$ 12,417,091	$ 12,553,951
Ceded	691,916	494,603	481,560	466,931	413,858	516,165	523,904	431,752	506,645	531,863
Net earned	11,523,843	9,398,492	10,317,855	11,704,230	11,957,286	12,613,704	11,901,259	11,841,435	11,910,446	12,022,088
2. Unallocated expenses:	3,344,200	3,355,409	2,729,922	3,236,720	2,430,258	2,593,950	1,871,452	2,170,916	1,778,727	1,628,031
3. Estimated claims and expenses end of policy year:										
Incurred	5,857,450	4,888,910	6,088,843	5,645,152	6,404,310	5,915,673	6,196,556	5,805,056	5,698,539	7,202,203
Ceded	0	0	40,000	80,000	230,000	32,500	130,000	0	0	0
Net incurred	5,857,450	4,888,910	6,048,843	5,565,152	6,174,310	5,883,173	6,066,556	5,805,056	5,698,539	7,202,203
4. Net paid (cumulative) as of :										
End of policy year	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	1,611,621
One year later	1,673,630	2,330,555	2,397,814	2,473,734	2,351,310	3,039,536	2,499,754	2,726,529	1,666,309	
Two years later	2,085,838	2,995,227	3,072,147	3,042,230	2,901,384	3,944,478	3,207,520	3,343,412		
Three years later	2,403,800	3,540,747	3,511,922	3,579,172	3,238,077	4,974,571	3,675,577			
Four years later	2,640,404	3,996,495	3,973,600	4,165,524	3,408,547	5,612,187				
Five years later	2,967,301	4,311,695	4,264,689	4,437,992	3,554,532					
Six years later	3,188,732	4,560,979	4,474,830	4,555,980						
Seven years later	3,335,594	4,901,484	4,505,476							
Eight years later	3,505,535	5,182,597								
Nine years later	3,560,695									
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	5,857,450	4,888,910	6,048,843	5,565,152	6,174,310	5,883,173	6,066,556	5,805,056	5,698,539	7,202,203
One year later	4,491,065	6,099,868	5,409,694	6,406,747	5,377,941	6,382,564	5,387,863	6,638,361	4,581,505	
Two years later	4,565,633	5,222,307	5,588,999	5,978,804	5,632,117	6,853,254	5,705,488	6,740,067		
Three years later	4,106,558	5,524,329	4,997,277	6,286,812	5,255,945	7,985,933	5,778,062			
Four years later	4,251,724	5,656,262	5,181,837	6,373,660	5,343,587	8,496,518				
Five years later	4,204,544	5,988,258	5,622,302	6,397,276	5,415,049					
Six years later	4,283,451	6,668,721	5,567,475	6,177,577						
Seven years later	4,785,144	6,962,865	5,123,602							
Eight years later	5,237,719	6,746,685								
Nine years later	5,095,326									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ (762,124)	$ 1,857,775	$ (925,241)	$ 612,425	$ (759,261)	$ 2,613,345	$ (288,494)	$ 935,011	$ (1,117,034)	$ 0

ASSOCIATION CALIFORNIA WATER AGENCIES
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TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2017

EMPLOYEE BENEFITS

	2012*	2013	2014	2015	2016
1. Required contribution and investment revenue:					
Earned	$ 53,510,611	$ 114,063,809	$ 121,694,180	$ 122,221,415	$ 127,844,554
Ceded	541,419	836,491	1,029,985	1,276,428	1,538,801
Net earned	52,969,192	113,227,318	120,664,195	120,944,988	126,305,753
2. Unallocated expenses:	737,231	1,734,193	2,878,450	3,638,855	2,920,476
3. Estimated claims and expenses end of policy year:					
Incurred	35,205,118	70,429,600	73,414,224	81,097,989	86,200,856
Ceded	3,262,087	755,783	691,553	1,908,777	4,646,895
Net incurred	31,943,031	69,673,817	72,722,671	79,189,212	81,553,961
4. Net paid (cumulative) as of :					
End of policy year	31,943,031	69,673,817	74,354,752	79,189,212	81,553,961
One year later	32,327,809	69,742,278	74,319,010	79,155,502	
Two years later	31,837,837	69,744,060	74,319,010		
Three years later	31,837,948	69,744,060			
Four years later	31,837,948				
5. Reestimated claims and expenses:	3,262,087	755,783	691,553	1,908,777	4,646,895
6. Reestimated net incurred claims and expenses:					
End of policy year	31,943,031	69,673,817	72,722,671	79,189,212	81,553,961
One year later	35,484,702	70,594,649	74,319,010	79,155,502	
Two years later	34,609,952	69,744,060	74,319,010		
Three years later	31,837,948	69,744,060			
Four years later	31,837,948				
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ (105,083)	$ 70,243	$ 1,596,339	$ (33,711)	$ 0

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Notes to Required Supplementary Information
Year Ended September 30, 2017

(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, 2017
Last 10 Years

	Measurement Date		
	6/30/2015	**6/30/2016**	**6/30/2017**
The JPIA's Proportion of the Net Pension Liability (Asset)	(0.01024%)	0.038815%	0.013959%
The JPIA's Proportionate Share of the Net Pension Liability (Asset)	($280,963)	$1,348,385	$550,282
The JPIA's Covered-Employee Payroll	$3,838,778	$4,240,054	$4,411,665
The JPIA's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered-Employee Payroll	-7.32%	31.80%	12.47%
The JPIA's Proportionate Share of the Fiduciary Net Position as a Percentage of the JPIA's Total Pension Liability	101.34%	78.40%	73.31%

* 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, 2017
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	2015	2016	2017
Actuarially determined contribution (actuarially determined)	$334,581	$352,666	$349,738
Contributions in relation to the actuarially determined contributions	334,581	352,666	349,738
Contribution deficiency (excess)	0	0	0
Covered-employee payroll	$3,917,613	$4,519,745	$4,428,325
Contributions as a percentage of covered-employee payroll	8.54%	7.80%	7.90%

* Fiscal year 2015 was the 1st year of implementation, therefore only three 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, 2017

	LIABILITY	DAM FAILURE	PROPERTY	PASS - THROUGHS	WORKERS' COMP	STORAGE TANKS	EMPLOYEE BENEFITS	RPA ADJUSTMENTS	TOTALS
OPERATING REVENUES									
Member premiums	$ 16,041,822	$ 257,403	$ 5,420,112	$ 305,519	$ 12,401,992	$ 22,173	$ 137,047,689	$ 0	$ 171,496,710
Retrospective premium adjustments	(1,681,568)	0	(817,621)	0	(2,998,469)	(7,816)	0	4,000,947	(1,504,527)
TOTAL OPERATING REVENUES	14,360,254	257,403	4,602,491	305,519	9,403,523	14,357	137,047,689	4,000,947	169,992,183
OPERATING EXPENSES									
Claims expense:									
Claims paid	6,307,645	0	1,256,989	0	4,534,236	0	80,457,661		92,556,531
Change in claims reserves	(572,194)	0	479,305	0	(162,788)	0	0		(255,677)
Change in claims incurred but not reported	3,315,711	0	(669,169)	0	1,060,639	0	124,954		3,832,135
Change in unallocated loss adjustment expense	90,889	0	(42,952)	0	117,509	0	0		165,446
Total claims expense	9,142,051	0	1,024,173	0	5,549,596	0	80,582,615	0	96,298,435
Excess insurance	2,750,091	250,000	1,537,240	301,023	551,257	10,643	1,619,247		7,019,501
Benefit premiums	0	0	0	0	0	0	49,856,370		49,856,370
General, Administrative & Depreciation	2,702,300	7,403	1,567,487	4,496	3,541,300	3,600	3,169,648		10,996,234
									0
TOTAL OPERATING EXPENSES	14,594,442	257,403	4,128,900	305,519	9,642,153	14,243	135,227,880	0	164,170,540
OPERATING INCOME (LOSS)	(234,188)	0	473,591	0	(238,630)	114	1,819,809	4,000,947	5,821,643
NONOPERATING REVENUES									
Investment income	403,946	0	83,766	0	369,871	2,526	1,246,032		2,106,141
Net decrease in Investment Fair Value	(169,758)	0	(57,357)	0	(131,241)	(235)	(950,136)		(1,308,727)
TOTAL NONOPERATING REVENUES	234,188	0	26,409	0	238,630	2,291	295,896	0	797,414
CHANGE IN NET POSITION	$ 0	$ 0	$ 500,000 *	$ 0	$ 0	$ 2,405 *	$ 2,115,705	$ 4,000,947	$ 6,619,057

* Contributions to a Catastrophic Fund

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,									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Assets										
Current assets	$ 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	$ 67,511,963
Noncurrent assets	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	131,853,381
TOTAL ASSETS	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	199,365,344
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS[1]								625,033	1,065,779	1,404,974
Liabilities										
Current liabilities	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	65,377,439
Noncurrent liabilities	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	58,494,030
TOTAL LIABILITIES	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	123,871,469
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS[1]								846,155	1,802,985	1,576,175
Net Position										
Net investment in capital asset	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	4,839,789
Unrestriced	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	70,482,885
TOTAL NET POSITION	$ 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	$ 75,322,674

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,									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
REVENUES										
Member premiums	$ 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	$ 171,496,710
Retrospective premium adjustments	(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)	(1,504,527)
TOTAL OPERATING REVENUES	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	169,992,183
EXPENSES										
Claims paid	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	92,556,531
Change in excess aggregate recovery	0	(88,462)	(87,603)	(215,529)	(8,186)	399,779	0	0	0	0
Change in claim reserves	(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)	(255,677)
Change in claims incurred but not reported	(642,041)	(65,834)	352,164	383,658	3,058,785	(2,586,808)	616,144	4,153,850	(3)	3,832,135
Change in unallocated loss adjustment expenses	(109,356)	63,789	133,186	(153,673)	86,653	(154,761)	490,716	281,517	277,793	165,446
TOTAL CLAIMS EXPENSE	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	96,298,435
Excess insurance and premium payments	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	56,875,871
General and administrative	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	10,741,391
Depreciation	88,865	57,051	51,921	234,085	322,936	322,789	366,360	341,832	268,088	254,843
TOTAL OPERATING EXPENSES	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	164,170,540
OPERATING INCOME (LOSS)	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)	5,821,643
SPECIAL ITEM										
Net position acquired from merger					34,986,207					
NONOPERATING REVENUES AND EXPENSES										
Net investment income	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	797,414
CHANGE IN NET POSITION	$ 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)	$ 6,619,057

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-Thru	Workers' Compensation	Underground Storage Tanks	UTEL	Employee Benefits	Change in Rate Stabilization Fund & GASB Adj's	Totals
2007-08	$ 14,304,593	$ 315,872	$ 2,869,123	$ 298,048	$ 6,752,445	$ 12,415	$ 0		$ 3,893,440	$ 28,445,936
	50.29%	1.11%	10.09%	1.05%	23.74%	0.04%	0.00%		13.69%	
2008-09	14,546,456	288,670	3,108,219	275,582	7,601,621	(31,136)	(35,759)		1,623,683	27,377,336
	53.13%	1.05%	11.35%	1.01%	27.77%	-0.11%	-0.13%		5.93%	
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
	7.99%	0.18%	3.44%	0.18%	7.66%	0.01%	0.00%	83.63%	-3.09%	
2014-15	21,062,280	255,500	4,316,367	253,987	10,025,093	12,682	0	122,243,564	2,231,224	160,400,697
	13.13%	0.16%	2.69%	0.16%	6.25%	0.01%	0.00%	76.21%	1.39%	
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
	4.73%	0.17%	3.56%	0.18%	8.73%	0.01%	0.00%	84.65%	-2.03%	
2016-17	14,594,442	257,403	4,628,900	305,519	9,642,153	16,650	0	137,343,585	4,000,945	170,789,597
	8.55%	0.15%	2.71%	0.18%	5.65%	0.01%	0.00%	80.42%	2.34%	

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-Thru	Workers' Compensation	Underground Storage Tanks	UTEL	Employee Benefits	OPEB Reclass Not Allocated	Totals
2007-08	$ 12,226,757	$ 315,872	$ 2,869,122	$ 298,048	$ 5,924,044	$ 9,590	$ 0		$ (31,928)	$ 21,611,505
	56.58%	1.46%	13.28%	1.38%	27.41%	0.04%	0.00%		-0.15%	
2008-09	14,437,187	288,670	3,108,219	275,582	7,270,670	6,461	0		277,181	25,663,970
	56.25%	1.12%	12.11%	1.07%	28.33%	0.03%	0.00%		1.08%	
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%	
2016-17	14,594,442	257,403	4,128,900	305,519	9,642,153	14,243	0	135,227,880	0	164,170,540
	8.89%	0.16%	2.52%	0.19%	5.87%	0.01%	0.00%	82.37%	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		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Liability											
Payroll Adjustments	*	$ (424,268)	$ (417,934)	$ (360,462)	$ (233,722)	$ (41,178)	$ 8,771	$ 77,449	$ 205,975	$ (21,465)	$ (54,358)
RPA's	*	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)	9,489,820
10% Program	*	(453,659)	(610,203)	(546,891)	(1,165,719)	(1,006,330)	(861,439)	(416,028)	(251,999)	(1,041,835)	(1,493,572)
Cat Funds	*	0	997,823	1,000,197	0	0	(5,357,186)	1,106,460	2,201,780	896,656	(603,846)
Property											
RPA's	*	19,494	34,265	593,611	496,479	770,282	1,497,493	747,493	422,814	324,287	699,465
Workers' Comp											
RPA's	*	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)	75,039
Cat Funds							(911,678)	1,154,883	(752,710)	(631,586)	(872,242)
Underground - Storage Tanks											
RPA's	*	0	169,480	0	10,713	0	0	0	0	0	0
Cat Funds	*	0	40,274	0	2,521	0	0	0	0	0	0
UTEL											
RPA's	*	(93,969)	0	0	0	0	0	0	0	0	0
Cat Funds	*	0	35,762	0	0	0	0	0	0	0	0
Totals		$ 6,262,840	$ 5,238,695	$ 9,758,262	$ 6,457,646	$ 4,428,741	$ (3,568,058)	$ 1,293,804	$ 3,887,135	$ (1,669,596)	$ 7,240,306
Cash Flow											
Members Billed		59,044	56,923	0	89	2,766	8,551	7,556	115,297	0	0
Self Insured Fund into RSF		0	0	0	0	4,573,112	0	0	0	0	0
Refunds to Members		(2,428,441)	(3,671,934)	(8,014,717)	(6,458,960)	(4,356,252)	(3,787,895)	(3,464,519)	(3,565,724)	(1,077,368)	(4,713,370)
Net Total		$ 3,893,443	$ 1,623,684	$ 1,743,545	$ (1,225)	$ 4,648,367	$ (7,347,402)	$ (2,163,159)	$ 436,708	$ (2,746,964)	$ 2,526,936

* 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Liability										
Total Number of Claims (Cumulative)	9,275	9,551	9,769	10,063	10,309	10,614	10,792	9,393	11,294	11,586
Closed Claims (Cumulative)	9,130	9,381	9,598	9,897	10,158	10,402	10,640	10,872	11,127	11,373
Open Claims (at year end)	145	170	171	166	151	212	152	180	167	213
Covered Payroll (Cumulative)	$ 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	$ 10,461,457
Property										
Total Number of Claims (Cumulative)	1,713	1,801	1,888	1,978	2,079	2,181	2,275	2,373	2,463	2,589
Closed Claims (Cumulative)	1,681	1,775	1,857	1,944	2,030	2,142	2,244	2,336	2,417	2,532
Open Claims (at year end)	32	26	31	34	49	39	31	37	46	57
Covered Payroll (Cumulative)	$ 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	$ 80,656,971
Workers' Compensation										
Total Number of Claims (Cumulative)	7,194	7,613	7,978	8,435	8,808	9,164	9,507	9,822	10,145	10,453
Closed Claims (Cumulative)	6,806	7,213	7,562	7,996	8,378	8,724	9,075	9,373	9,712	10,046
Open Claims (at year end)	388	400	416	439	430	440	432	449	433	407
Covered Payroll (Cumulative)	$ 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	$ 7,222,206
Number of Employees	37	38	39	39	39	43	46	48	49	49
Ratio of Premium to Payroll/TIV										
Liability Program	3.64%	3.60%	3.56%	4.14%	4.09%	4.07%	4.02%	3.97%	2.88%	2.91%
Property Program	0.12%	0.11%	0.11%	0.12%	0.12%	0.11%	0.11%	0.11%	0.10%	0.09%
Workers' Comp. Program	2.46%	2.34%	2.40%	2.82%	2.81%	2.81%	2.79%	2.78%	2.59%	2.50%

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)	

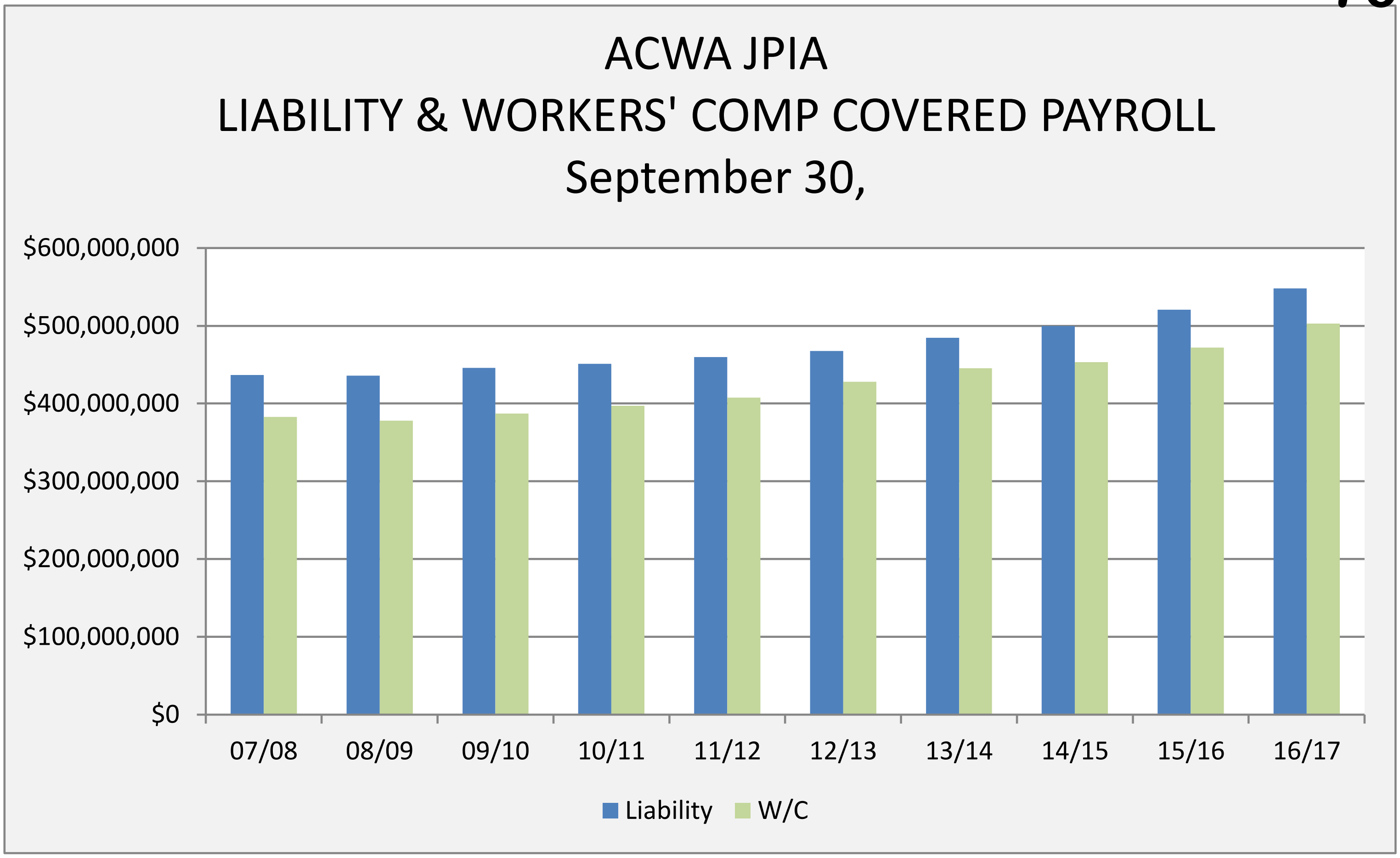
(a) Total Employment as used above represents the total employment of all employees located within the City of Roseville, which is the office location of ACWA JPIA.
(b) Information not available

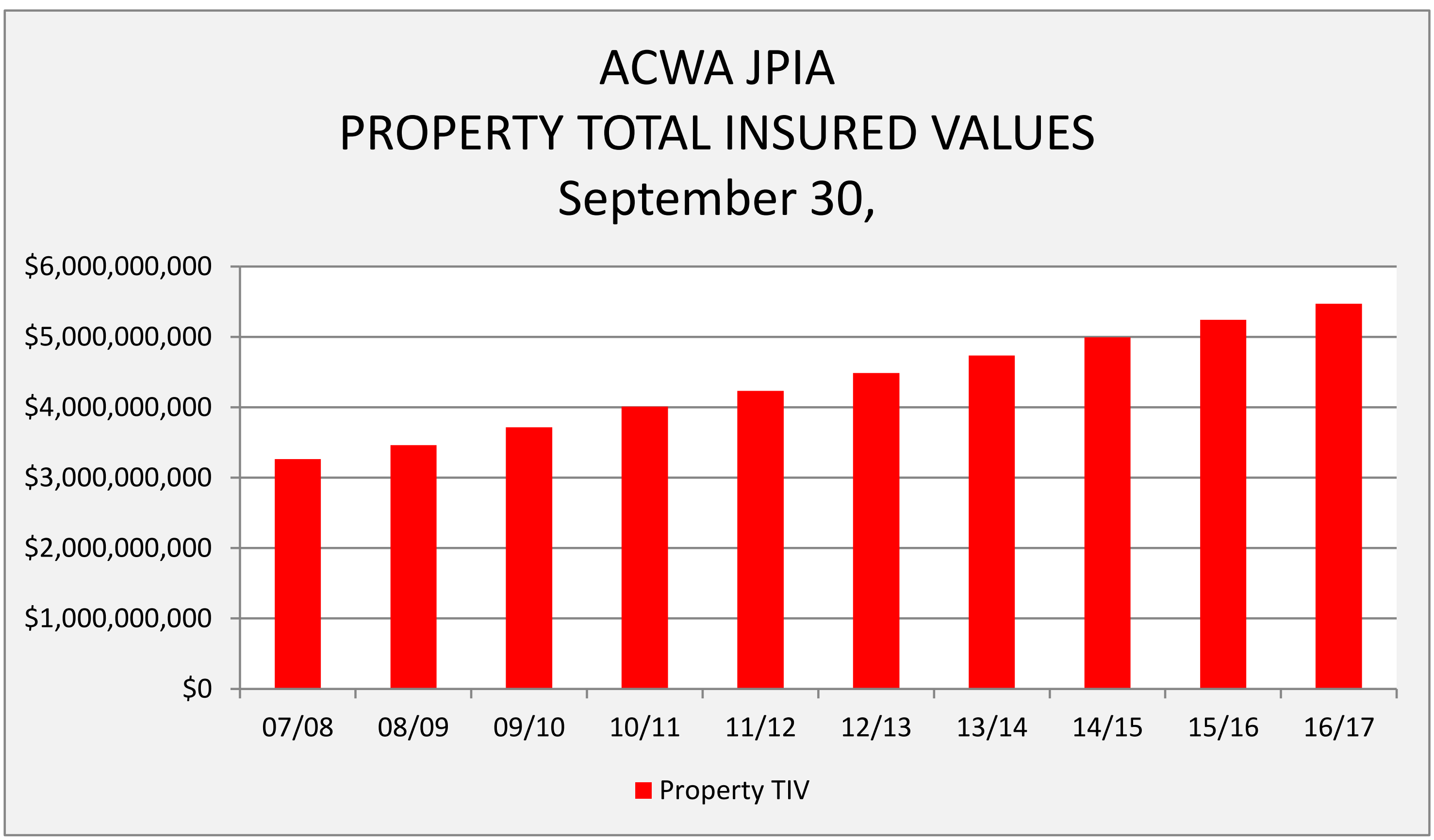
Association of California Water Agencies
Joint Powers Insurance Authority
Demographic Statistics by Population

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
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
15/16
16/17
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
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
15/16
16/17
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, 2017, 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 __, 2018.

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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

GILBERT ASSOCIATES, INC.
Sacramento, California

Month __, 2018

ACWA JPIA
Proposed Operating Budget for Fiscal Year 10/1/2018-19
March 19, 2018

BACKGROUND
In March of each year, a proposed Operating Budget is submitted to the Finance & Audit Committee and then to the Executive Committee for review. At the Spring Conference, the proposed Operating Budget is presented for approval to the Board of Directors. The budget covers General & Administrative (G&A) Expenses for the fiscal year ending September 30, 2019.

CURRENT SITUATION
The most significant changes to the G&A budget for the fiscal year are staff employee benefits, computer equipment, software office furniture and external claims administration (lines 2, 10 and 30).

Staff employee benefits increase is due to an addition of $1.1 million for the anticipated change in the net pension obligation for pensions. This anticipated increase is due to a lowering of the CalPERS discount rate.

Computer equipment, software, office furniture (line 10) decrease is due the JPIA no longer using Castlight software in the Employee Benefits Program.

For external claims administration the decrease is due to significant taxes related to the Affordable Care Act phasing out.

The overall increase in the Operating Budget is 10.9% (line 36). Salaries remain the largest line item in the budget. One additional position is included in the budgeted salaries.

RECOMMENDATION
That the Finance & Audit Committee recommends that the Executive Committee approve the proposed Operating Budget for the fiscal year ending September 30, 2019 as presented and forward to the Board of Directors at Spring Conference.

Prepared by: David deBernardi, Director of Finance   Date prepared: March 2, 2018

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

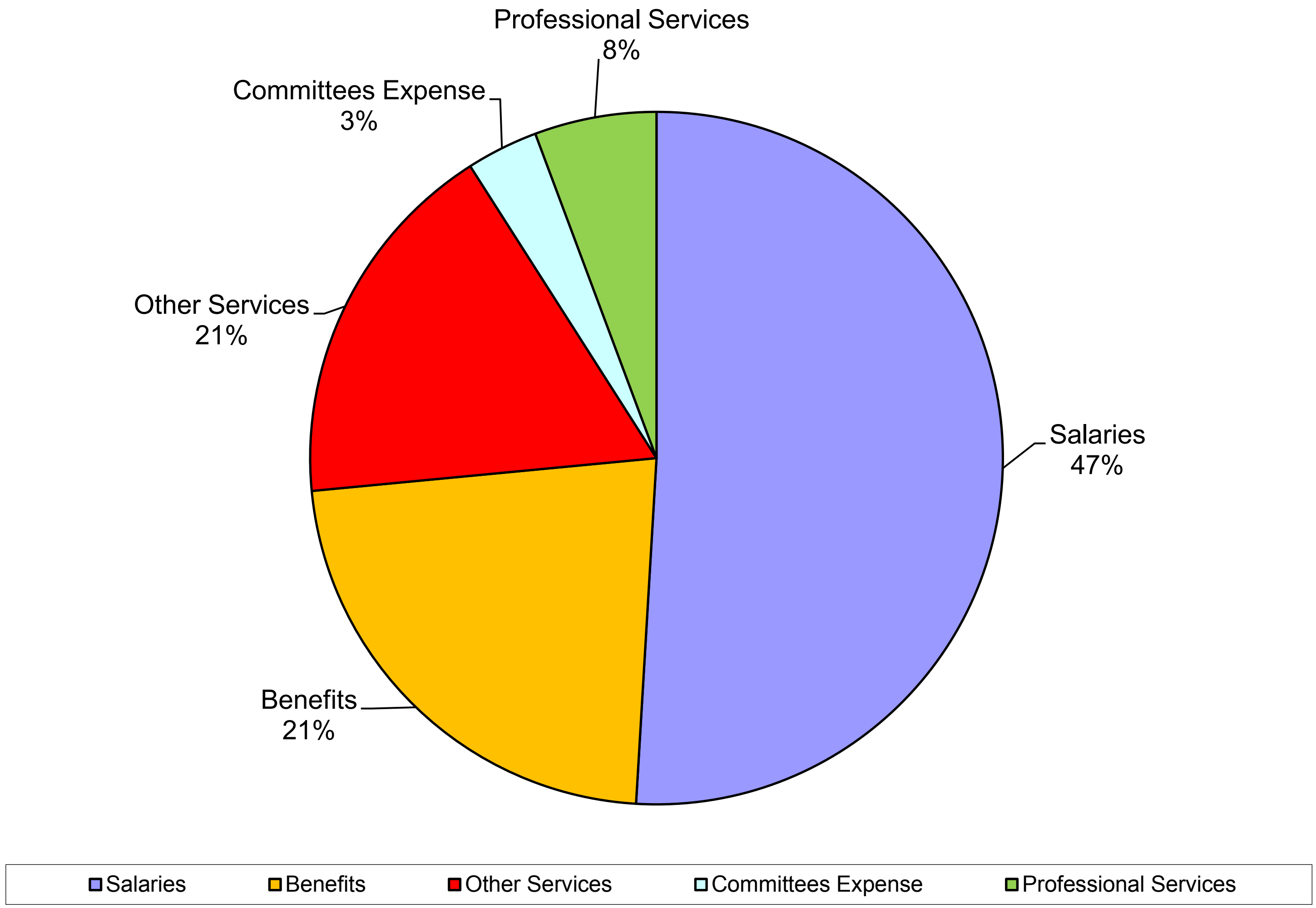
GENERAL & ADMINISTRATIVE EXPENSES

		BUDGETED FYE 9/30/17	ACTUAL FYE 9/30/17	DIFFERENCE ACT - BUD	APPROVED BUDGET FYE 9/30/17	**PROPOSED BUDGET FYE 9/30/18**	DIFFERENCE 2017 vs. 2018	% OF CHANGE 17 vs. 18
	ACWA/JPIA STAFF SERVICES							
1	Staff Salaries & Temporary Services	$ 4,466,377	$ 4,505,383	$ 39,006	$ 4,647,237	**$ 4,991,001**	$ 343,764	7.4%
2	Staff Employee Benefits	2,007,712	3,408,678	1,400,966	2,074,603	**3,308,933**	1,234,330	59.5%
3	Office Buildings	105,000	135,502	30,502	110,000	**116,000**	6,000	5.5%
4	Postage and Freight	60,000	43,253	(16,747)	51,000	**46,000**	(5,000)	-9.8%
5	Telephone Service	45,000	56,118	11,118	46,000	**50,000**	4,000	8.7%
6	JPIA Perspective Printing & Distribution	17,000	25,412	8,412	23,000	**24,000**	1,000	4.3%
7	Outside Printing	15,000	16,426	1,426	18,000	**17,000**	(1,000)	-5.6%
8	JPIA Office Insurance	12,000	12,041	41	9,000	**9,000**	0	0.0%
9	General Office Supplies	35,000	38,840	3,840	36,000	**36,000**	0	0.0%
10	Computer Equipment Software, Office Furniture	1,000,000	1,072,647	72,647	1,180,000	**840,000**	(340,000)	-28.8%
11	Dues, Subscriptions, & Misc. Publications	70,000	106,709	36,709	100,000	**90,000**	(10,000)	-10.0%
12	Staff Ed/Training Seminars & Coursework Reimbs	30,000	63,922	33,922	55,000	**60,000**	5,000	9.1%
13	Depreciation on Capital Assets	245,000	254,844	9,844	243,000	**206,000**	(37,000)	-15.2%
14	Staff Travel Related Expenses	95,000	60,861	(34,139)	75,000	**75,000**	-	0.0%
15	Staff Risk Assessment Travel Related Expenses	38,000	32,732	(5,268)	38,000	**42,000**	4,000	10.5%
16	Member Informational Workshops	94,000	152,182	58,182	60,000	**70,000**	10,000	16.7%
17	Lending Library	12,000	17,613	5,613	11,000	**15,000**	4,000	36.4%
18	Member Safety & Loss Control Incentive Awards	6,000	6,630	630	6,000	**16,000**	10,000	166.7%
19	**Total ACWA/JPIA Staff Services**	**8,353,089**	**10,009,793**	**1,656,704**	**8,782,840**	**10,011,934**	**1,229,094**	**14.0%**
	COMMITTEES & BD. OF DIRECTORS' SERVICES							
20	Executive Committee Member Expenses	142,000	129,520	(12,480)	150,000	**145,000**	(5,000)	-3.3%
21	Finance/Audit Committee & Committee Expenses	52,000	36,322	(15,678)	50,000	**40,000**	(10,000)	-20.0%
22	Semi-Annual ACWA Conf. & Bd of Directors' Expense	90,000	126,414	36,414	125,000	**143,000**	18,000	14.4%
23	**Total Committees & Board of Directors' Services**	**284,000**	**292,256**	**8,256**	**325,000**	**328,000**	**3,000**	**0.9%**
	EXTERNAL CONSULTING AND PROF. SERVICES							
24	Insurance Program Actuarial Analysis	29,000	28,831	(169)	29,000	**20,000**	(9,000)	-31.0%
25	Consulting Services	3,500	2,926	(574)	20,000	**10,000**	(10,000)	-50.0%
26	Occu-Med	90,000	86,071	(3,929)	90,000	**90,000**	0	0.0%
27	Target Solutions	126,000	128,400	2,400	127,000	**130,000**	3,000	2.4%
28	General Legal/Attorney Services	15,000	-	(15,000)	2,500	**2,500**	0	0.0%
29	Specific Claims & Coverage Related Legal Fees	50,000	38,696	(11,304)	50,000	**45,000**	(5,000)	-10.0%
30	External Claims Administration	500,000	379,290	(120,710)	265,000	**210,000**	(55,000)	-20.8%
31	ACWA/JPIA Financial Audit	51,000	45,725	(5,275)	46,800	**50,000**	3,200	6.8%
32	Insurance Programs Claims Audits	3,000	-	(3,000)	3,000	**-**	(3,000)	0.0%
33	Personnel Consulting Services	-	-	-	0	0	**0**	0.0%
34	**Total External Consulting / Professional Services**	**867,500**	**709,939**	**(157,561)**	**633,300**	**557,500**	**(75,800)**	**-12.0%**
35	**PROGRAM DEVELOPMENT / CONTINGENCIES**	100,000	-	(100,000)	100,000	**-**	(100,000)	-100.0%
36	**TOTAL GENERAL & ADMINISTRATIVE EXPENSES**	**$ 9,604,589**	**$ 11,011,988**	**$ 1,407,399**	**$ 9,841,140**	**$ 10,897,434**	**$ 1,056,294**	**10.7%**

ACWA JPIA
2018-2019 BUDGET WORK PAPERS - BENEFITS COMPARISON

	PROPOSED 2017-2018	PROPOSED 2018-2019	DOLLAR DIFFERENCE	PERCENT CHANGE	PERCENT OF GROSS PAYROLL BUDGETED 2017-2018	PROPOSED 2018-2019	DIFFERENCE	PERCENT CHANGE
SALARIES	$ 4,647,237	$ 4,991,001	$ 343,764	7.40%				
PERS	$ 571,994	$ 1,726,044	$1,154,050	201.76%	12.31%	34.58%	22.27%	180.91%
MEDICARE	64,985	69,872	4,887	7.52%	1.40%	1.40%	0.00%	0.00%
MEDICAL	1,227,964	1,238,360	10,396	0.85%	26.42%	24.81%	-1.61%	-6.09%
DENTAL	51,183	50,386	(797)	-1.56%	1.10%	1.01%	-0.09%	-8.18%
LIFE	40,931	44,641	3,710	9.06%	0.88%	0.89%	0.01%	1.14%
DISABILITY	42,079	43,941	1,862	4.43%	0.91%	0.88%	-0.03%	-3.30%
EMP.ASSIST.PROG.	1,396	1,424	28	2.01%	0.03%	0.03%	0.00%	0.00%
WORK COMP	47,547	51,064	3,517	7.40%	1.02%	1.02%	0.00%	0.00%
VISION	11,524	12,701	1,177	10.21%	0.25%	0.25%	0.00%	0.00%
OTHER	15,000	70,500	55,500	370.00%	0.32%	1.41%	1.09%	340.63%
TOTAL STAFF EE BENEFITS	$ 2,074,603	$ 3,308,933	$1,234,330	59.50%	44.6%	66.3%	21.66%	48.52%

ACWA JPIA
General & Administrative Expenses
Fiscal year September 30, 2019



ACWA JPIA
Captive Update
March 19, 2018

BACKGROUND
The Executive Committee set a 2018 organizational goal for JPIA staff to research and evaluate the possibility of creating a Captive Insurance Company.

CURRENT SITUATION
JPIA staff has begun the process of researching Captive Insurance Companies.

1) What is a Captive? A Captive is an insurance company owned by the parent that underwrites the insurance needs of the organization.
2) Why a Captive?
    a) Better utilize assets
    b) Provide greater flexibility in managing retentions/limits/market fluctuations
    c) Creates a layer of protection for potential adverse State of California actions
3) Next Steps:
    a) Feasibility study
    b) Identify structure (board/management)
    c) Operational plan.

RECOMMENDATION
None, informational only.

Prepared by: David deBernardi, Director of Finance Date prepared: March 7, 2018

Meeting Dates	Board of Directors	Executive	Personnel	Finance & Audit	Programs: Emp. Benefits	Programs: Liability	Programs: Property	Programs: Work Comp	Risk Mgmt
Jan 18			11:00 AM Ontario						
Jan 30		1:00 PM					10:00 AM		
Mar 5		10:30 AM							
Mar 19				1:00 PM					3:00 PM
Mar 20		8:30 AM							
Apr 4					10:00 AM				
May 7	1:30 PM	10:15 AM						8:30 AM	
May 8	ACWA Conference May 8 to 11 – Sacramento								
Jun 7			11:00 AM Ontario						
Jul 9		1:00 PM			9:00 AM				
	CAJPA Conference September 12 to 14 – South Lake Tahoe CA								
Sep 17				1:00 PM		3:00 PM			
Sep 18		8:30 AM							
Nov 26	1:30 PM	10:30 AM							
Nov 27	ACWA Conference November 27 to November 30 – San Diego								

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
JPIA Closed	1/15	19			28		4		3		12/22/23	24/25
Mgr Meetings	8	5	5	2	14	4	2	6	10	1	5	10
Staff Q&A	10	8	14	11	17	13	11	8		10	14	6
RM @ JPIA				18-19		13-14		8-9		10-11		13-14