Finance & Audit Committee Meeting

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

Wednesday
March 20, 2019
1:00 P.M.

Chairman: Kevin Phillips, Paradise Irrigation District

Vice-chair: Carrie Corder, Cucamonga Valley Water District

Marlene Kelleher, Vista Irrigation District

Suha Kilic, Pebble Beach Community Services District

Dennis Michum, Glenn-Colusa 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

Wednesday, March 20, 2019 1:00 PM

WebEx call-in: **(855) 749-4750;** Access code: **805 120 318;** 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
- Kelleher – 1391 Engineer Street, Vista
- Kilic – 3101 Forest Lake Road, Pebble Beach
- Michum – 344 East Laurel Street, Willows
- Ruettgers – 3200 Rio Mirada Drive, Bakersfield
- Smith – 12109 Hwy 166, Bakersfield

WELCOME

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

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

EVACUATION PROCEDURES

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

INTRODUCTIONS

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Presenter				Page#
Phillips	*	**I.**	Approval of minutes of the meeting of September 17, 2018.	**1**
All		**II.**	Report on meetings attended on behalf of the JPIA.	

Presenter				Page#
deBernardi	*	**III.**	Review and take action on Comprehensive Annual Financial Report for year ended September 30, 2018.	**5**
deBernardi	*	**IV.**	Review and take action on the Proposed Operating Budget for Fiscal Year 2019-20.	**83**
Meacham	*	**V.**	Long Term Investment Portfolio update.	**87**
Sells	*	**VI.**	Captive Insurance Company update.	**104**
Phillips	*	**VII.**	Announce next meeting date: September 9, 2019.	**105**

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.

Revised Preliminary Agenda-date issued: February 26, 2019
Final Agenda-date issued: March 6, 2019

Unapproved Meeting

Finance & Audit Committee Meeting

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

September 17, 2018

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

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

MEMBERS PRESENT

Chairman: Kevin Phillips, Paradise Irrigation District
Vice-chair: Carrie Corder, Cucamonga Valley Water District *(via WebEx)*
Marlene Kelleher, Vista Irrigation District
Suha Kilic, Pebble Beach Community Services District *(via WebEx)*
Steve Ruettgers, Kern County Water Agency *(via WebEx)*
Jim Smith, Wheeler Ridge-Maricopa Water Storage District

MEMBERS ABSENT

Dennis Michum, Glenn-Colusa Irrigation District

STAFF PRESENT

Chief Executive Officer/Secretary: Walter “Andy” Sells
Carol Barake, Risk Management Program Manager
Linda Craun, Administrative Assistant II
David deBernardi, Director of Finance
Robert Greenfield, General Counsel
Cece Reynolds, Accountant II (Recording Secretary)
Patricia Slaven, Director of Human Resources and Administration
Sandra Smith, Employee Benefits Manager
Dan Steele, Lead Accountant
Dianna Sutton, Finance Manager
Karen Thesing, Director of Insurance Services
Bobbette Wells, Executive Assistant to the CEO

OTHERS IN ATTENDANCE

Richard Babbe, PFM Asset Management
Thomas Cuquet, South Sutter Water District
Paul Dorey, Vista Irrigation District
David Drake, Rincon del Diablo Municipal Water District

E.G. “Jerry’ Gladbach, Castaic Lake Water Agency *(via WebEx)*
David Hodgin, Scotts Valley Water District
W.D. “Bill” Knutson, Yuima Municipal Water District
Steve LaMar, Irvine Ranch Water District, ACWA V.P.
Sarah Meacham, PFM Asset Management
Bruce Rupp, Humboldt Bay Municipal Water District
Kathy Tiegs, Cucamonga Valley Water District

WELCOME/INTRODUCTIONS

Chairman Phillips welcomed and introduced everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Phillips called the meeting to order at 1:00 p.m. He announced there was a quorum.

ANNOUNCEMENT RECORDING OF MINUTES

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

APPROVAL OF MINUTES

Chairman Phillips called for approval of the minutes of the March 19, 2018 meeting.

> M/S/C (Corder/Smith) (Corder-Yes; Kelleher-Yes; Kilic-Yes; Ruettgers-Yes; Smith-Yes; Phillips-Yes): That the Finance & Audit Committee approve the minutes of the March 19, 2018 meeting.

MEETINGS ATTENDED ON BEHALF OF THE JPIA

None reported.

LONG-TERM INVESTMENT PORTFOLIO UPDATE

PFM presented a summary of the Investment Portfolio which they manage for the JPIA. This presentation included commentary on the current market and thoughts about managing the investments going forward.

Mr. Babbe began his presentation with an overview of the economy, labor market and a 2018 second quarter review of JPIA's economic portfolio. Mr. Babbe discussed an interest rate update stating that 2-year Treasury yields remain favorable for rates to trend higher during the remainder of 2018.

Ms. Meacham began her presentation with a second quarter 2018 recap. The JPIA's total return on the portfolio since inception has been above the Bank of America/Merrill Lynch 1-5 Year U.S. Government Index benchmark. The portfolio is well diversified, is comprised of high quality securities and has outperformed the benchmark by an annual average of 0.33% since inception. The diversification of the portfolio and maturity distribution was also discussed.

A handout was provided by Ms. Meacham with a detailed summary of the investment portfolio.

INVESTMENT POLICY

The JPIA's Investment Policy is evaluated on an annual basis and approved by the Board of Directors at the JPIA's Fall Conference. The current Investment Policy was last approved in November 2017. Mr. deBernardi presented a copy of the current Investment Policy that had been marked in add/delete format with recommended revisions made by JPIA staff and investment advisor, PFM Asset Management. Ms. Meacham relayed to the Committee that the majority of the changes to the policy were cosmetic in nature, many were due to meeting the standards set by the California Municipal Treasurers Investment Policy Certification Program and application process (CMTA). Staff intends to submit the Investment Policy to the CMTA for certification.

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

> <u>M/S/C (Marlene/Corder) (Corder-Yes; Kilic-Yes; Kelleher-Yes; Ruettgers-Yes; Smith-Yes; Phillips-Yes)</u>: That the Finance & Audit Committee recommend that the Executive Committee approve the proposed changes to the Investment Policy, with final approval of the Board of Directors at the Fall Conference.

ACWA JPIA CAPTIVE STATUS REPORT

Mr. Sells began his discussion stating that informational Captive presentations were made at the Fall 2017 and Spring 2018 ACWA conferences. Mr. Sells relayed that a Request for Proposal was sent out in March, and Bickmore Risk

Services was selected to perform a feasibility study. The study has been completed and will be the basis of the final business plan.

There was discussion regarding the benefits of forming a Captive Insurance Company and presenting the resolution for approval to Board of Directors at the 2018 Fall Conference. Mr. Sells also stated that implementation will begin in October 2019 if approved.

Representatives from Bickmore were expected to be at the September Executive Committee meeting to present the highlights of the draft study.

MISCELLANEOUS

Future Agenda Items
None stated.

Availability for Upcoming Meeting(s)
The next scheduled Finance & Audit Committee meeting, April 1, 2019 at 1:00 p.m. No conflicts were noted.

The Finance & Audit Committee meeting adjourned 3:02 p.m.

ACWA JPIA
Audited Financial Statements Year Ending September 30, 2018
March 20, 2019

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, 2017 through September 30, 2018.

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 ACWA JPIA as of September 30, 2018, 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 recommend that the Executive Committee approve the 2017/18 Audited Financial Statements and forward to the Board of Director's at Conference.

Prepared by: David deBernardi, Director of Finance Date prepared: March 11, 2019

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ASSOCIATION OF CALIFORNIA WATER AGENCIES

JOINT POWERS INSURANCE AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2018

Prepared by
THE JPIA FINANCE DEPARTMENT

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Year Ended September 30, 2018

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INTRODUCTORY SECTION

YOUR BEST PROTECTION

March 28, 2019

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, 2018, 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, 2018, 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, 2018 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 coverage 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, 2018, the JPIA had 384 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 2017 through September 2018, the national unemployment rate declined from 4.2% to 3.7%. This puts the U.S. at a 18 year low. Meanwhile in the State of California, the unemployment rate went from 4.5% in September 2017 to 4.1% at the end of September 2018. This was a record low for the State of California since they started tracking this data in 1976. This data suggests significant improvement in California. The UCLA Anderson Forecast had predicted California unemployment to be at 4.6% by the end of 2019. In the City of Roseville, where the JPIA office resides, the unemployment rate steadied at 3.4% from September 2017 to September 2018. 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. The number of JPIA employees have increased from 42 to 50 from fiscal year 2012 to fiscal year 2018. 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, 2018 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 had a strategic planning meeting in February 2018 where organization values where the main discussion point.

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.

The JPIA is in the process of creating a fully owned captive in the State of Utah. Management believes that by housing some risks in the new captive long term investments can be better leveraged over time.

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, 2017. 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, 2021.

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

Walter "Andy" Sells
Chief Executive Officer

X

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, 2018

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
W.D. "Bill" Knutson	Director	Yuima Municipal Water
Steve LaMar	Director	Irvine Ranch Irrigation District
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

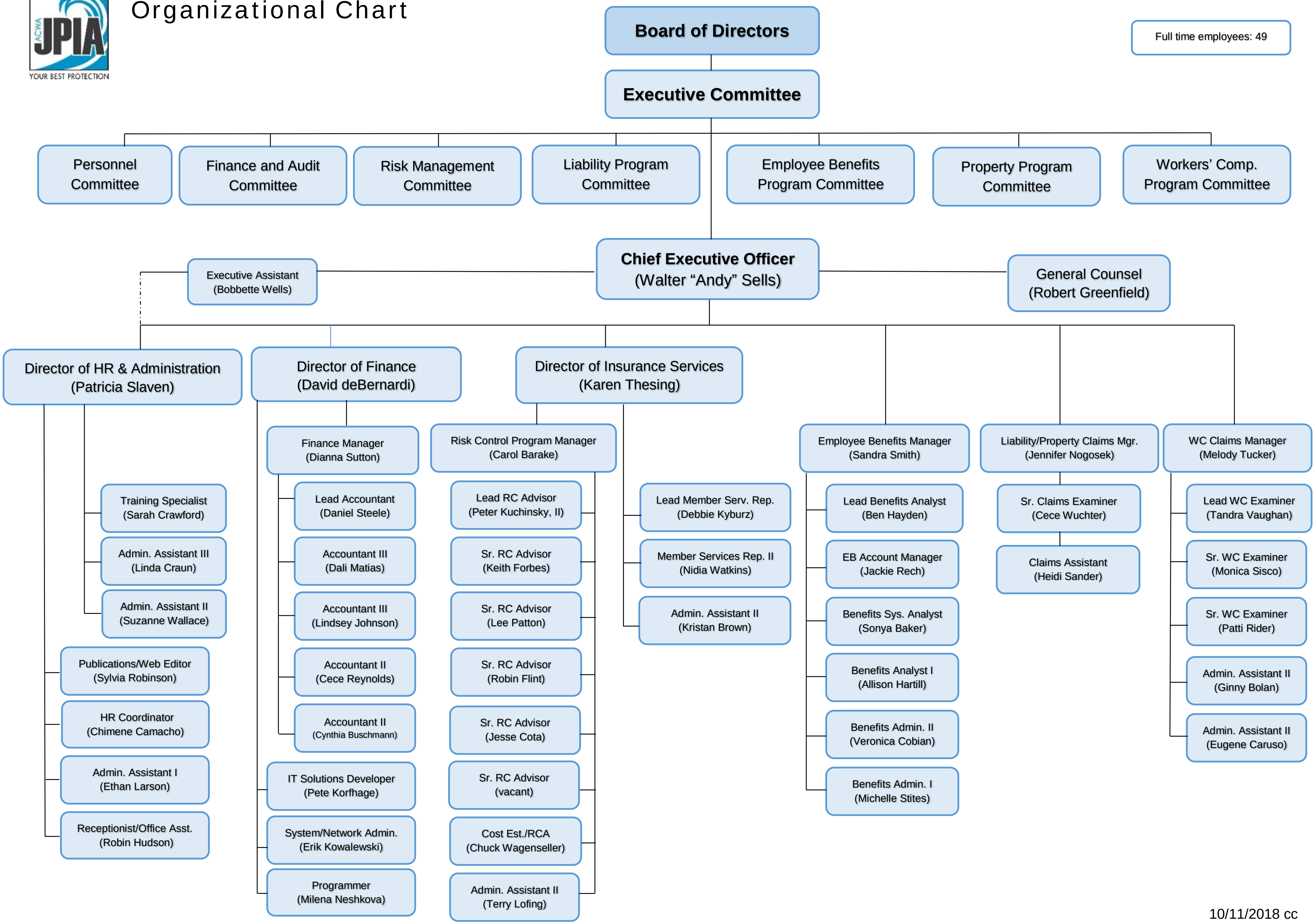
2100 Professional Drive
Roseville, California 95661

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 October 1, 2018

Organizational Chart



10/11/2018 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, 2017

Christopher P. Morrill

Executive Director/CEO

CAJPA
California Association of Joint Powers Authorities

Trusted Leadership for California's Public Risk Sharing Pools

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, 2018 to May 19, 2021

David T. Clovis

David Clovis
President

Michael Fleming

Michael Fleming
Chairman, Accreditation Committee

James Marta

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, 2018, 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, 2018, 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, in 2018 ACWA JPIA adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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, 2018 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, 2018 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 March 19, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ACWA JPIA's 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

March 19, 2019

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, 2018. 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, 2018. The Statement of Revenues, Expenses, and Changes in Net Position reports 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 2017 balances are presented as originally reported in the financial statements but restated to show the cumulative effect of the adoption of new accounting standards to meet GASB 75 requirements.

CONDENSED STATEMENTS OF NET POSITION

	9/30/2018	9/30/2017	Variance
ASSETS			
Other Assets	$183,702,636	$194,525,555	$(10,822,919)
Capital Assets	4,641,581	4,839,789	(198,208)
Total Assets	188,344,217	199,365,344	(11,021,127)
DEFERRED OUTFLOWS			
Related to Pensions	1,063,032	1,404,974	(341,942)
Related to other postemployment benefits (OPEB)	35,283	0	35,283
Total Deferred Outflows	1,098,315	1,404,974	(306,659)
LIABILITIES			
Current Liabilities	44,238,468	65,377,439	(21,138,971)
Noncurrent Liabilities	56,582,233	58,494,030	(1,911,797)
Total Liabilities	100,820,701	123,871,469	(23,050,768)
DEFERRED INFLOWS			
Related to Pensions	2,117,303	1,576,175	541,128
Related to other postemployment benefits (OPEB)	38,924	0	38,924
Total Deferred Inflows	2,156,227	1,576,175	580,052
NET POSITION			
Net Investment in Capital Assets	4,641,581	4,839,789	(198,208)
Unrestricted	81,824,023	70,482,885	11,341,138
TOTAL NET POSITION	$86,465,604	$75,322,674	$11,142,930

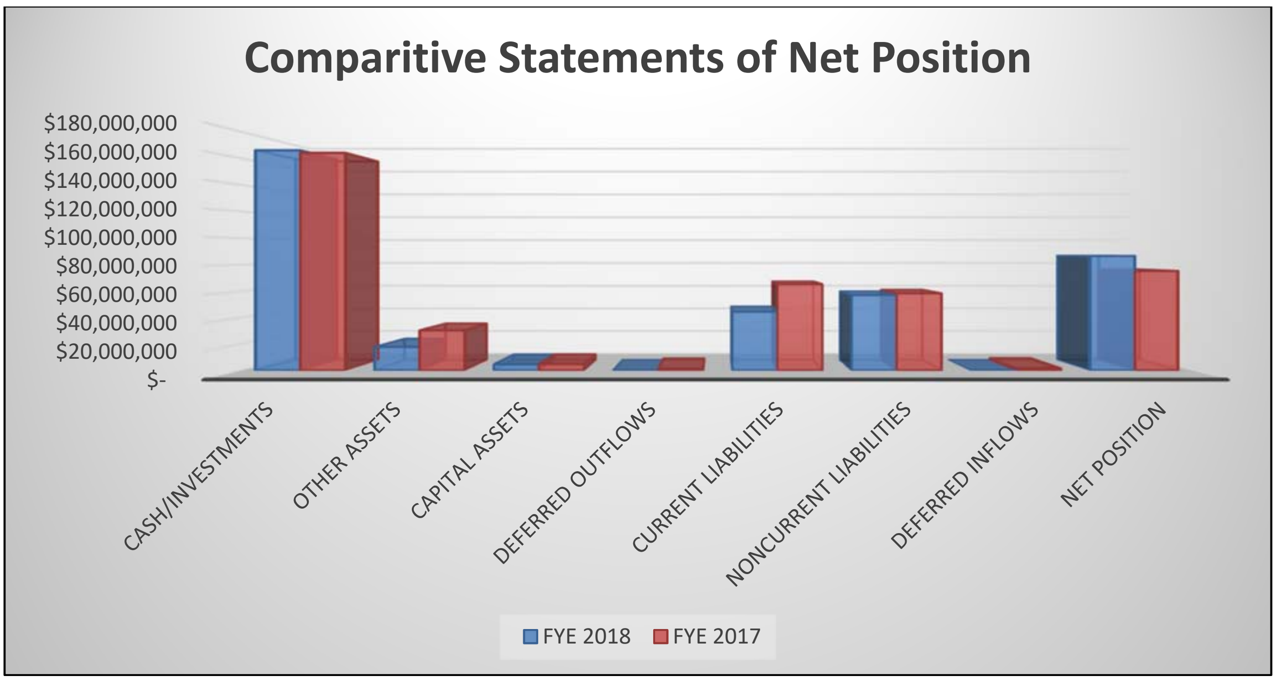
The biggest factor to explain the variances on the Statement of Net Position was a timing issue in regards to Liability Program billing, where prior year billing completed prior to the fiscal year end September 30, 2017, and current year billing completed in October 2018. This attributes for the majority of the reduction in Premiums Receivable (included in the Other Assets total) and explains a large portion of the reduction in Unearned Premiums (recorded in Current Liabilities).

Another key factor to point out in the 2018 Statement of Net Position could be the reduction in actuarial claim projections of approximately $6 million in Incurred but Not Reported (IBNR) expenses. This reduction, along with the decrease in deferred premiums, makes up the majority of the overall liability reduction for the JPIA.

A major positive to take away from the year end net position result is the growing financial strength of the Employee Benefits program. The JPIA staff has been making a concerted effort to implement cost-saving measures through plan design changes, added elements, and careful vendor selection. Medicare enrollment is now required for eligible retirees, resulting in the JPIA paying as secondary. Embedding Medicare Part D in the pharmacy benefits results in partial claim reimbursement from Centers for Medicare and Medicaid Services (CMS), estimated to be $1.3 million annually. Promotion of the Consumer Driven Health Plan (CDHP) has given JPIA plan participants greater transparency and control over medical and prescription expenses, with a financial incentive to save for the future. An increase to the maximum out of pocket for the Classic PPO modernized the plan, while still protecting participants by maintaining a relatively low maximum exposure per participant.

By leveraging the marketing results for the Pharmacy Benefit Manager (PBM) contract, JPIA saved members an estimated $1.6 million annually. JPIA staff identified and implemented controls to prevent unscrupulous billing by out of network providers, providing an annual estimated savings of $1 to $3 million. Conservatively, the changes made to the Anthem PPO plans from 2015 through 2018 are estimated to have reduced plan costs by $7.4 million per year.

All in all, the Employee Benefits Fund increased throughout the year by over $9 million. This gain can be found as part of the variance in the unrestricted portion of Net Position. The ongoing strengthening of this fund provides the pool with flexibility in regards to future pricing options and rate stabilization to sustain competitiveness in the market.



The chart shown previously highlights the changes of the various components in the Statements of Net Position from the current year to the prior. The JPIA asset structure is historically centered on cash and investments, predominantly from member premiums paid up front and paid out in the form of claims over time. This chart emphasizes the importance of investment portfolio management for risk pools in the industry.

Under GASB 68, public entities are required to report their agency's net pension liability (or asset) and in the case of the JPIA, since staff leadership and the Executive Committee endeavor to save the risk pool money on potential future interest costs, the unfunded liability owed to PERS (Public Employees' Retirement System) is consistently paid down as much as financially feasible. This ongoing effort, consequently, helps to minimize deferred inflows and outflows each year, explaining the relatively flat bars depicted in the graph above.

One other consideration worth noting is the current rising interest rate climate, driving down market value of the entire investment portfolio. The JPIA reports a "mark-to-market" fair value reduction of almost $2 million. This offsets an otherwise healthy increase of investments from 2017 to 2018 of almost $4 million, contributing to the need of further discussions of the formation of a JPIA captive insurance company (to be discussed later in this document) that could offer the pool potentially substantial portfolio gains if not beholden to California Government Code.

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

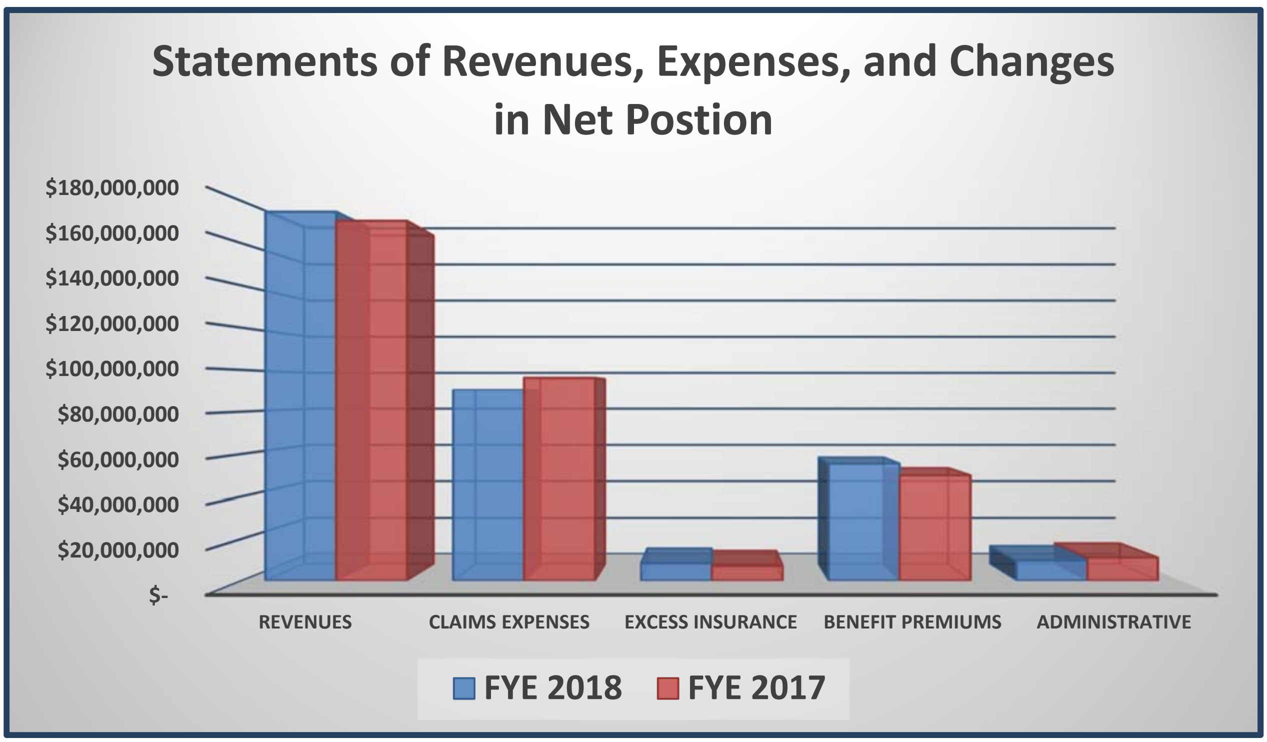
	9/30/2018	9/30/2017	Variance
OPERATING REVENUES			
Members Premiums	$179,425,274	$171,496,710	$7,928,564
Retrospective Premium Adjustments	(3,380,970)	(1,504,527)	(1,876,443)
Total Operating Revenues	176,044,304	169,992,183	6,052,121
OPERATING EXPENSES			
Provision for Claims	90,427,479	96,298,435	(5,870,956)
Excess Insurance	8,271,113	7,019,501	1,251,612
Benefit Premiums	55,387,827	49,856,370	5,531,457
General & Administrative	11,109,880	10,996,234	113,646
Total Operating Expenses	165,196,299	164,170,540	1,025,759
OPERATING INCOME	10,848,005	5,821,643	5,026,362
NON-OPERATING REVENUES			
Investment Income	294,925	797,414	(502,489)
CHANGE IN NET POSITION	11,142,930	6,619,057	4,523,873
NET POSITION, BEGINNING	75,322,674	68,703,617	6,619,057
NET POSITION, ENDING	$86,465,604	$75,322,674	$11,142,930

The 2018 fiscal year yielded an increase in billed member premiums by approximately $8 million. The liability program took on an additional 17 member districts over the year, adding close to $3 million in new premiums to the pool to help cover the additional exposure. The Employee Benefits department brought an additional $5 million in billed premiums from 2017 to 2018, but the increase represents a general "smoothing" of premiums that helps to keep pricing volatility at a minimum. The program remains competitive in the market, and offers a certain peace of mind to member districts, potentially frustrated from historical price swings with prior coverages.

The JPIA endeavors to reward its loyal members with potential retrospective premium adjustments (RPAs) offered four years after the official close of a policy year pertaining to the Liability, Property, and Workers Compensation Programs. While many variables make up the financial "bottom line" on the financial statements, it should be noted that JPIA staff work very closely with members in regards to consulting and risk management, most notably the risk advisers who travel throughout the state to meet with general managers and other staff members of covered districts contributing to the pool.

As a result, the Workers Compensation Program showed a strong start to the 2017-18 policy year, accruing approximately $4 million in potential RPA payments to its members in year one. Granted, the policy year bottom line will change over the next few years as claims get reported and eventually paid out, but it is a promising start for members.

The following chart compares the components of the Statements of Revenues, Expenses, and Changes in Net Position of 2018 to 2017 and highlights notable variances:



The reduction in the provision for claims from 2017 to 2018 is a welcome sight to both JPIA staff and members. While primary claim costs and reserves did increase by just over $4 million, the $6 million IBNR reduction (mentioned previously) represents almost a $10 million swing downwards in expected losses in future coverage years.

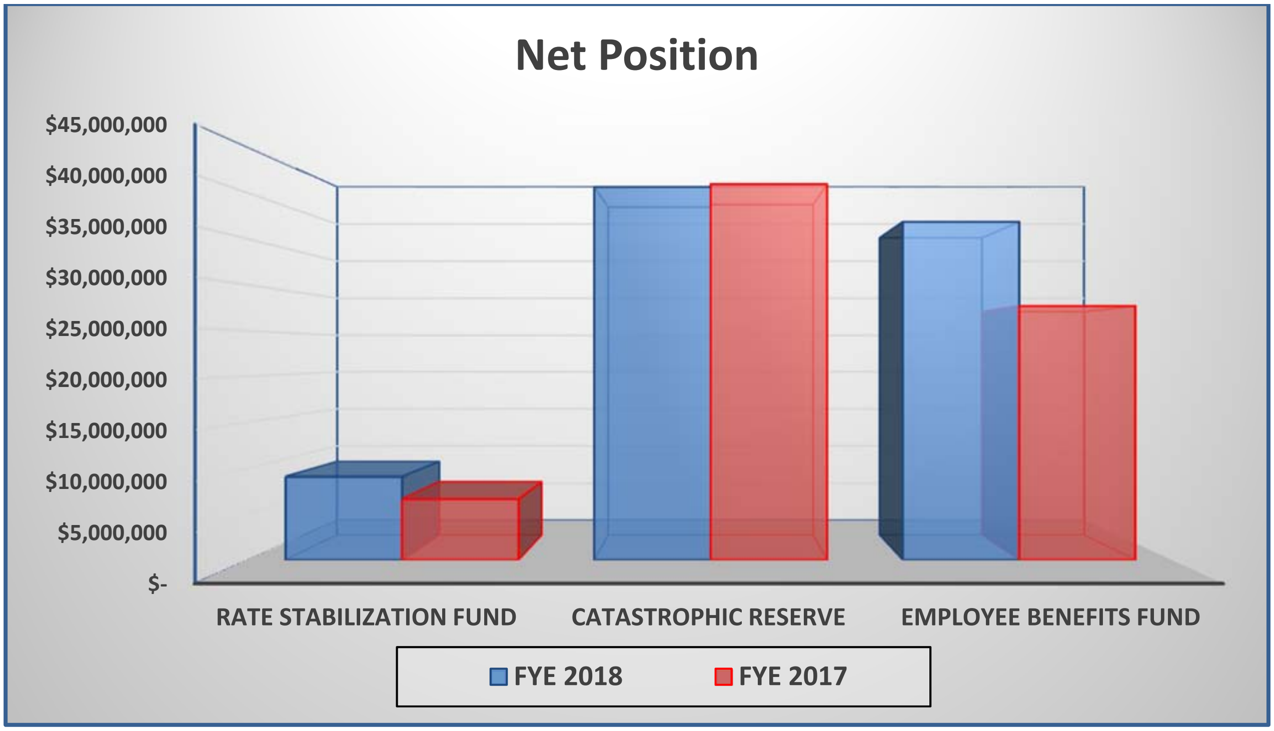
Since inception in 2012, the Employee Benefits program's largest self-funded plans, the Anthem PPO plans, have shown year to year increases in claims costs of about 5% (approximately) over the prior year. This has changed in the last two years, however, as claims have leveled off and remained consistent at about $80 million.

The JPIA staff works with Anthem Blue Cross to award Wellness Grants to districts participating in the JPIA medical plans. The ongoing effort is met with positivity, and promotes and inspires all-around wellness with the goal of healthy employees and fewer health-related claims.

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:

- The Employee Benefits Fund represents equity that originally transitioned over 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 health insurance industry.
- 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.
- The Natural Disaster Fund began in 2015 when the Executive Committee voted to establish a specific fund unique to the Property program. This $500,000 annual set-aside fund was designed to help cover losses from natural disasters that would otherwise yield higher than normal claims costs.



The Net Position graph (depicted above) illustrates the year to year changes in the three funds making up the JPIA's net position from 2017 to 2018. The Employee Benefits Fund consists of equity that transitioned over from the Health Benefits Authority in 2012, and the annual performance of the department as a whole each year.

The Catastrophic Fund net changes were just under $900,000 and the Natural Disaster Fund remained consistent with regular contributions and no disbursements were made in 2018.

The Rate Stabilization Fund increase included several key 2018 adjustments to bring it up to the $9 million figure displayed above. Refunds to member districts were awarded in the early part of 2018 in the amount of $6.8 million. Retrospective premium adjustments for Liability, Property, and Workers' Compensation totaled close to $10 million.

CASH AND INVESTMENTS

Cash and investments make up just under 90% of the JPIA's total assets. At year end September 30, 2018, total cash and investments totaled $166 million (at fair value), a net increase of $2 million from 2017 once the mark-to-market adjustment was applied. Rising interest rates kept market values declining, causing staff to pivot and focus on a short-term strategy that involves keeping a portion of deposits that otherwise would've been implemented into the portfolio, and allocating those funds to LAIF and/or CAMP, two Local Government Investment Pools that not only provide competitive yields in the current interest rate environment, but that also meet the need for liquidity to pay out claims and other expenses.

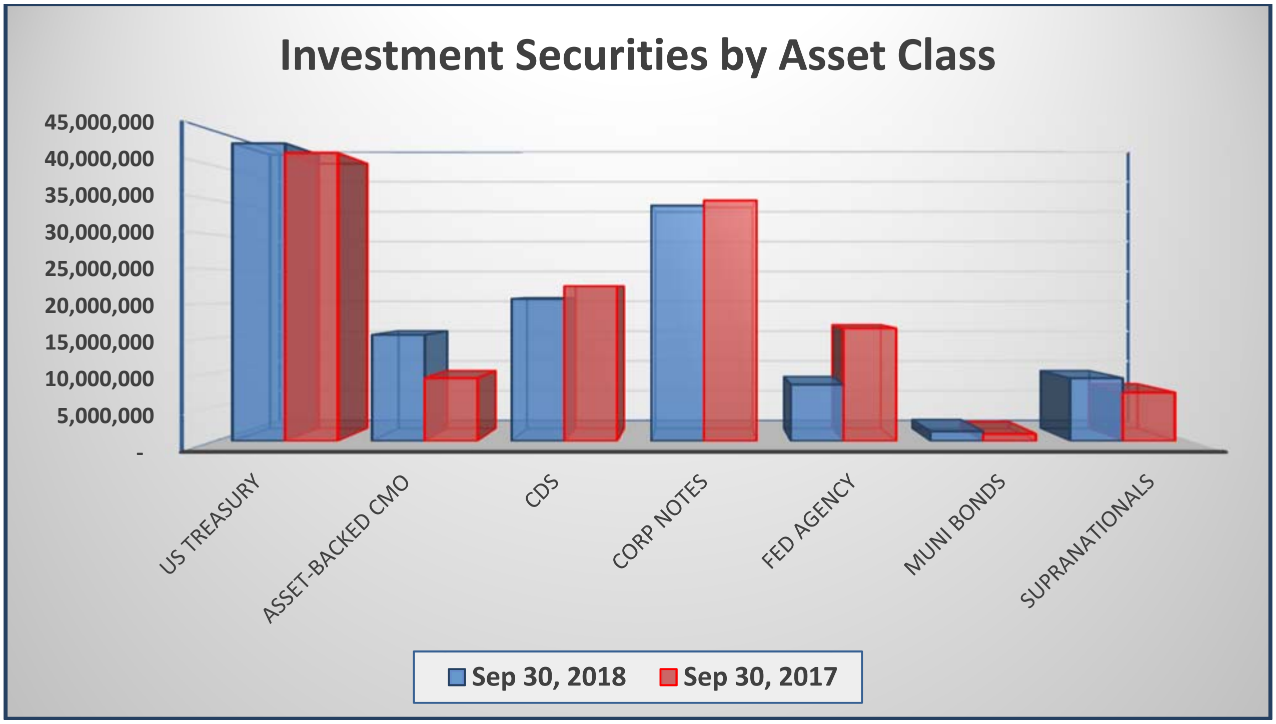
JPIA finance staff continuously look at data analytics and aim to spot trends. One trend in particular that has become apparent focuses on the seasonality of Employee Benefits medical claims rising in November and December, as deductibles and out of pocket maximums for the plan year are satisfied in full. At September 30, 2018, the Employee Benefits CAMP fund valued at $22.5 million which yields positive gains but is also readily available in the event of heavy claims demands.

The JPIA continued the recent trend of adding asset-backed securities and supranationals, in an effort to solidify diversification, keep the required credit rating requirements dictated by policy, as well as adding some competitive yield. Government agency securities continue to be reduced in the portfolio, as nearly $8 million were sold and reinvested into these alternative securities.

The JPIA internally manages 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 yield optimization.

The changes from 2017 to 2018 reflect the shift 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. The $8 million taken from Federal Agency securities now reside in $6 million in new asset-backed collateralized-mortgage obligations (CMOs) and $2 million in Supranationals.

Overall, the total investment portfolio held a fair market value of just under $133 million at year end, similar to the value at September 30, 2017. The chart on the following page compares the totals by investment class between the two fiscal years:



CAPITAL ASSET ACTIVITY

The 2018 fiscal year had very little activity in regards to acquiring capital assets. Depreciation expense for the period totaled $244,521.

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 (2018-2019). 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:

- External Impacts – CA Wildfires and Floods. The JPIA partners along the side of members to deliver best practices information regarding assets security, human safety, as well as serve as a resource and advisor when a disaster does strike. If the trend of natural disasters continues into 2019, staff will be ready.

- Insurance/Reinsurance Markets continue to have capacity and, thus, positive pricing. The General Liability Program renewed on 10/1 with favorable terms and the 4/1 Property Program renewal experienced coverage enhancements and positive pricing. The JPIA staff looks to involve more data analytics and key performance indicators in the upcoming fiscal years to help measure the important metrics surrounding pricing to offer the pool the best financial management strategy possible.
- Alliant Property Insurance Program (APIP) – The JPIA implemented the APIP program April 1, 2018. APIP enables the JPIA to provide broader coverage and higher limits. Even though the property insurance market is expected to be more expensive this upcoming years with 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, so this will be monitored going forward.
- Captive Insurance Organization – The JPIA has recently investigated 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. A schedule to present an implementation timeline and action plan to the board of directors is imminent as of September 30, 2018.

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, 2018

	2018	Memo only 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 33,612,610	$ 31,048,772
Investments	12,021,651	9,027,994
Member premiums receivable	7,974,727	23,010,427
Investment income and other receivables	892,078	651,964
Excess insurance proceeds receivable	1,244,268	200,776
Retrospective premium adjustment receivable	1,690,141	1,865,185
Prepaid expenses	2,746,829	1,706,845
TOTAL CURRENT ASSETS	60,182,304	67,511,963
NONCURRENT ASSETS		
Investments	120,388,251	124,018,528
Retrospective premium adjustment receivable	1,295,502	712,049
Net other postemployment benefits asset	969,129	2,283,015
Net pension asset	867,450	0
Capital assets - net	4,641,581	4,839,789
TOTAL NONCURRENT ASSETS	128,161,913	131,853,381
TOTAL ASSETS	188,344,217	199,365,344
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	1,063,032	1,404,974
Deferred outflows of resources related to other postemployment benefits	35,283	0
TOTAL DEFERRED OUTFLOWS	1,098,315	1,404,974
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,945,110	1,745,287
Unearned member premiums	15,791,520	32,205,188
Retrospective premium adjustment payables	7,450,665	10,947,132
Provision for claims	19,051,173	20,479,832
TOTAL CURRENT LIABILITIES	44,238,468	65,377,439
NONCURRENT LIABILITIES		
Retrospective premium adjustment payables	17,724,704	17,274,023
Net pension liability	0	550,282
Claims reserves	11,633,490	8,398,975
Claims incurred but not reported	24,349,874	29,092,275
Unallocated loss adjustment liability	2,874,165	3,178,475
TOTAL NONCURRENT LIABILITIES	56,582,233	58,494,030
TOTAL LIABILITIES	100,820,701	123,871,469
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	2,117,303	1,576,175
Deferred inflows of resources related to other postemployment benefits	38,924	0
TOTAL DEFERRED INFLOWS	2,156,227	1,576,175
NET POSITION		
Net investment in capital assets	4,641,581	4,839,789
Unrestricted	81,824,023	70,482,885
TOTAL NET POSITION	$ 86,465,604	$ 75,322,674

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2018

	2018	Memo only 2017
OPERATING REVENUES		
Member premiums	$ 179,425,274	$ 171,496,710
Retrospective premium adjustments	(3,380,970)	(1,504,527)
TOTAL OPERATING REVENUES	176,044,304	169,992,183
OPERATING EXPENSES		
Claims expense:		
Claims paid	93,668,326	92,556,531
Change in claims reserves	3,187,095	(255,677)
Change in claims incurred but not reported	(6,123,634)	3,832,135
Change in unallocated loss adjustment expense	(304,308)	165,446
Total claims expense	90,427,479	96,298,435
Excess insurance	8,271,113	7,019,501
Benefit premiums	55,387,827	49,856,370
General and administrative	10,865,359	10,741,391
Depreciation	244,521	254,843
TOTAL OPERATING EXPENSES	165,196,299	164,170,540
OPERATING INCOME	10,848,005	5,821,643
NONOPERATING REVENUES		
Investment income	2,564,448	2,106,141
Net decrease in investment fair value	(2,269,523)	(1,308,727)
TOTAL NONOPERATING REVENUES	294,925	797,414
CHANGE IN NET POSITION	11,142,930	6,619,057
NET POSITION, BEGINNING OF YEAR	75,322,674	68,703,617
NET POSITION, END OF YEAR	$ 86,465,604	$ 75,322,674

See accompanying notes to financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018

		2018	Memo only 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from members		$ 177,109,886	$ 170,760,886
Cash received from excess/aggregate insurance		3,138,510	5,141,876
Payments for claims		(93,668,326)	(92,556,531)
Payments for excess/aggregate claims		(3,906,644)	(4,668,494)
Payments for excess insurance		(8,271,113)	(7,019,501)
Payments for benefit premiums		(55,387,827)	(49,856,370)
Payments for billings & RPA fund		(6,823,818)	(4,713,370)
Payments to vendors		(3,845,665)	(3,552,557)
Payments to employees		(6,653,699)	(6,554,327)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,691,304	6,981,612
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets		(46,313)	(21,976)
NET CASH USED BY FINANCING ACTIVITIES		(46,313)	(21,976)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,076,778	2,350,251
Purchase of investments		(63,131,885)	(77,770,405)
Proceeds from maturities of investments		60,973,954	76,061,533
NET CASH PROVIDED BY INVESTING ACTIVITIES		918,847	641,379
Increase in cash and cash equivalents		2,563,838	7,601,015
Cash and cash equivalents, beginning of year		31,048,772	23,447,757
Cash and cash equivalents, end of year		$ 33,612,610	$ 31,048,772
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income		$ 10,848,005	$ 5,821,643
Adjustments to net cash provided by operating activities:			
Depreciation of capital assets		244,521	254,843
Change in member premiums receivable		15,035,700	(1,450,061)
Change in excess insurance proceeds receivable		(1,043,492)	43,496
Change in retrospective premium adjustment receivable		(408,409)	(1,028,795)
Change in other postemployment benefits (OPEB) asset	*	(110,783)	2,668
Change in other receivables and prepaids		(1,280,098)	158,292
Changes in deferred outflows/inflows related to pensions and OPEB	**	1,123,543	(15,723)
Changes in payables and accrued expenses and other expenses		(17,374)	482,703
Change in unearned member premiums		(16,413,668)	2,724,586
Change in retrospective premium adjustment payables		(3,045,786)	(3,753,945)
Change in claims liabilities		(3,240,855)	3,741,905
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 1,691,304	$ 6,981,612
NON CASH ITEMS			
Change in unrealized fair value of investments		$ (2,269,523)	$ (1,308,727)
* Implementing of OPEB GASB 75 Valuation Change $1,366,645 and $58,024		$ 1,424,669	$ 0
** Implementing of OPEB GASB 75 Implicit Rate Subsidy $(31,579) & Equity Adj $268,411		$ 236,832	$ 0

See accompanying notes to financial statements.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

(1) General Information

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

The JPIA currently offers five joint protection programs:

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

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

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

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

In determining its reporting entity, the JPIA considered all governmental units that were members since inception. The criteria did not require the inclusion of these entities in these financial statements principally because the JPIA is not financially accountable for any members.

Insurance Coverage and Deductibles – The JPIA provides the following major insurance coverage and deductibles:

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

The JPIA provides the following insurance coverage and self-insured retention (SIR):
Member District Retrospective Allocation Point (RAP): $2,500 to $100,000

The SIRs for this program by policy year are as follows:

Years	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 - 9/30/18	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:

Years	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 - 3/31/19	100,000

Excess of: $100,000 up to a total of $100,000,000 coverage with various sub limits through Alliant Property Insurance Program.
Policy Year: April 1 through March 31.

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

The JPIA provides the following insurance coverage and SIR:
Member District RAP: $250 to $25,000

The SIRs for this program by policy year are as follows:

Years	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 - 6/30/19	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, 2018. 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.

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.

Change in Accounting Principles – For the year ended September 30, 2018, the JPIA implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires employers to report a net OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note 10 explains the effect of the implementation of GASB 75.

Since GASB 75 requires retroactive application, the net OPEB liability offset by the related deferred outflow of resources and prior recognized OPEB liabilities as of September 30, 2017 reduces the beginning net position for the fiscal year ended September 30, 2018. As a result, for the year ended September 30, 2018, the beginning net position decreased by $1,366,693 as the cumulative effect of a change in accounting principles.

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 and OPEB plans after the measurement date but before the fiscal year-end are recorded as deferred outflows of resources and will reduce the net pension and total OPEB liabilities in the next fiscal year.

Additional factors involved in the calculation of the JPIA's pension and OPEB expenses and liabilities 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. See Note 9 for further details related to these pension deferred outflows and inflows. See Note 10 for details related to the OPEB deferred outflows and inflows.

Other postemployment benefits (OPEB) – For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the JPIA's OPEB Plan and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

(3) Cash and Investments

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

AUTHORIZED INVESTMENT TYPE	MAXIMUM MATURITY*	MAXIMUM PERCENTAGE OF PORTFOLIO	MAXIMUM INVESTMENT IN ONE ISSUER	MINIMUM CREDIT QUALITY
Federal Agency	5 years	100%	50%	None
Asset-Backed Securities/CMO	5 years	20%	5%	AA-
Bankers' Acceptance	180 days	20%	5%	Highest by NRSRO
Commercial Paper	270 days	25%	5%**	Highest by NRSRO
Negotiable Certificates of Deposits	5 years	30%	5%	A-
Time Certificates of Deposits	5 years	30%	FDIC/NCUA Limits	Banks S&L / CU Insured
Repurchase Agreements	92 days	20%	20%	Primary Dealer
Medium-Term Notes	5 years	30%	5%	A-
LGIP	N/A	50%	N/A	AAAm
LAIF	Daily	50%	N/A	N/A
Money Market Funds	N/A	20%	20%	Treasury / Agency Only
U.S. Treasury	5 years	100%	100%	None
California State Obligations	5 years	100%	5%	A-
Other State/Local Gov. Obligations	5 years	100%	5%	A-
Supranationals	5 years	20%	20%	AAA

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

Concentration of Credit Risk – No investments at September 30, 2018 in any one issuer, other than U.S. Treasury Securities, LAIF and LGIP, represent 5% or more of the total ACWA JPIA portfolio.

Custodial Credit Risk is the risk that in the event of a bank failure, the JPIA's deposits may not be returned. California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the JPIA's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the JPIA's name and places it ahead of general creditors of the institution.

Interest Rate Risk is the possibility that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of highlighting exposure to interest rate risk, the fair value of all securities is calculated and reported monthly to the two oversight committees of the JPIA for investments. Investment fair value and duration at September 30, 2018 are as follows:

Authorized Investment Type	Market Value	Effective Duration
U.S. Treasury Obligations	$43,292,669	3.326
Federal Agency Securities	6,513,357	2.452
Federal Mortgage Backed Securities	1,700,828	1.480
Medium-Term Notes	29,233,064	2.336
Asset-Backed Securities/CMOs	11,733,100	1.626
Asset-Backed Securities/Coupon	3,706,021	3.499
Negotiable Certificates of Deposit	20,676,409	1.469
Commercial Paper	5,000,000	0.000
Municipal Bonds	1,413,934	1.452
Supranationals	9,140,520	1.903

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, 2018						
Cash	$ 200	$ 0	$ 0	$ 0	$ 0	$ 200
Deposits with Financial Institutions	7,214,368					7,214,368
Asset-Backed Securities	15,439,121	12,752,058				2,687,063
Negotiable Certificates of Deposit	20,676,409	5,248,131	14,278,738	1,149,540		
LGIP (Managed Pool Account)*	26,110,384					26,110,384
LAIF	287,658					287,658
U.S. Treasury Obligations	43,292,669	43,292,669				
Federal Agency Securities	6,513,357	6,513,357				
Federal Mortgage-Backed Secur.	1,700,828	1,700,828				
Municipal Bonds	1,413,934		727,591	686,343		
Commercial Paper	5,000,000		5,000,000			
Medium-Term Notes	29,233,064	1,862,535	5,252,394	20,869,527	1,248,608	
Supranationals	9,140,520	9,140,520				
Totals	$166,022,512	$80,510,098	$25,258,723	$22,705,410	$1,248,608	$36,299,673

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 $26,110,384 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, 2018:

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	$ 43,292,669	$43,292,669	
Asset-Backed Securities	15,439,121		$15,439,121
Negotiable Certificates of Deposit	20,676,409		20,676,409
Medium-Term Notes	29,233,064		29,233,064
Commercial Paper	5,000,000		5,000,000
Federal Agency Securities	8,214,185		8,214,185
Municipal Bonds	1,413,934		1,413,934
Supranationals	9,140,520		9,140,520
Totals	**$132,409,902**	**$43,292,669**	**$89,117,233**

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, 2018:

	9/30/2017	Additions	Transfers	9/30/2018
NON-DEPRECIABLE ASSETS:				
Land	$ 590,545	$ 0	$ 0	$ 590,545
Undeveloped	0	24,416	0	24,416
Total Non-Depreciable Assets	590,545	24,416	0	614,961
DEPRECIABLE ASSETS:				
Building & Improvements	5,336,035	0	0	5,336,035
Furniture & Equipment	593,191	21,897	23,104	638,192
Software	478,141	0	(23,104)	455,037
Total Depreciable Assets	6,407,367	21,897	0	6,429,264
LESS ACCUMULATED DEPRECIATION:				
Building & Improvements	(1,207,084)	(179,073)	0	(1,386,157)
Furniture & Equipment	(551,129)	(19,095)	0	(570,224)
Software	(399,910)	(46,353)	0	(446,263)
Total Accumulated Depreciation	(2,158,123)	(244,521)	0	(2,402,644)
Capital Assets - Net	$4,839,789	$(198,208)	$ 0	$ 4,641,581

(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, 2018. 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, 2018, unpaid losses of $58,126,282 are presented at the net present value of $57,908,702. 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, 2018:

Discounted Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$61,149,557
Incurred Claims and Claim Adjustment Expenses:	
Provision for Insured Events of the Current Fiscal Year	84,675,172
Increase in Provision of Insured Events of Prior Fiscal Years	5,752,299
Total Incurred Claims and Claim Adjustment Expenses	90,427,471
PAYMENTS:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	62,780,358
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	30,887,968
Total Payments	93,668,326
Discounted Unpaid Claims and Claim Adjustment Expenses at End of Fiscal Year	**$57,908,702**
Components of Claims Liability:	
Provision for Claims (Current)	$19,051,173
Claims Reserves	11,633,490
Claims Incurred But Not Reported	24,349,874
Unallocated Loss Adjustment Liability	2,874,165
Total Claims Liability	**$57,908,702**

(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

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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, 2018:	
Catastrophic (CAT)/Natural Disaster Fund	$40,655,988
Employee Benefits Fund	36,730,554
RPA Stabilization Fund	9,079,062
Net Position	$86,465,604

(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

<u>Plan Description</u>

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.

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, 2018 (the measurement date) was 8.303% and 6.908% 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, 2018, the employer contributions to the plan were $1,431,686, which included an additional elective contribution of $1,070,571 to reduce the Net Pension Liability (NPL). This additional elective contribution resulted in the Net Pension Liability changing to a Net Pension Asset as of September 30, 2018.

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

ACWA JPIA's Net Pension Asset (NPA) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2018 for the year ended September 30, 2018. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. As of September 30, 2018, ACWA JPIA's proportionate share of the Plan's net pension liability (NPL) was ($867,450).

Using ACWA JPIA's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for ACWA JPIA by the actuary. ACWA JPIA's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 were as follows:

	Plan
Proportion - June 30, 2017	.013959%
Proportion - June 30, 2018	(.023017%)
Change	(.036976%)

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For the year ended September 30, 2018, ACWA JPIA recognized pension expense of $897,024.

At September 30, 2018, 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	$ 235,176	$ (80,029)
Changes of assumptions	698,774	(171,256)
Net difference between projected and actual earnings on pension plan investments	30,302	
Changes in proportions		(960,071)
Changes in proportionate share of contributions		(905,947)
Pension contributions subsequent to measurement date	98,780	
Total	$ 1,063,032	$ (2,117,303)

As of September 30, 2018, the $98,780 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as an increase to the NPA in the year ending September 30, 2019. As of September 30, 2018, 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	
2019	$ (235,292)
2020	(400,525)
2021	(462,104)
2022	(55,130)

Actuarial Methods and Assumptions

The collective TPL for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the TPL to June 30, 2018. The collective TPL was based on the following assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) *The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.*

Changes of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 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.

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1 – 10[2]	Real Return Years 11+[3]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets		0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%		-0.92%
Total	100.00%		

[1] *In the system's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.*
[2] *An expected inflation of 2.00% was used for this period.*
[3] *An expected inflation of 2.92% was used for this period.*

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, 2018 measurement date, calculated using the discount rate of 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
ACWA JPA's Proportionate Share of Plan's NPL(NPA)	$ 2,848,689	$ (867,450)	$ (3,935,062)

(10) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The JPIA has established a retiree healthcare plan that provides other postemployment health benefits for eligible retired employees, their spouses, surviving spouses, and dependents, through the ACWA Joint Powers Insurance Authority OPEB Plan (the Plan). The JPIA, through the authorization of their Board of Directors, elected to establish an irrevocable trust for the Plan through the California Employers' Retiree Benefit Trust (CERBT) Fund, an agent multiple-employer plan, administered by CalPERS. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. The CERBT offers three investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by the JPIA.

Benefits Provided

ACWA JPIA employees who retire at age 55 or older with a minimum of ten years of service with the organization are eligible to receive lifetime medical benefits. Benefits are also provided to spouses, surviving spouses and dependent children of participating retirees.

The amount of benefit a retiree receives is based on the following schedule. ACWA JPIA contributes 100% of the cost of coverage for employees who retire with age plus years of service equal to 75 or more.

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

Employees Covered

As of the June 30, 2017 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	15
Inactive employees entitled to but not receiving benefits	0
Participating active employees	49
Total	64

Contributions

The JPIA provides benefits on a pay-as-you-go basis, and also makes contributions to the OPEB Trust. The JPIA's policy is to prefund their benefits by contributing the full actuarially determined contribution to the CERBT each year. The JPIA's employees are not required to contribute to the Plan.

Net OPEB Asset

The JPIA's net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal

Actuarial Assumptions:

Discount Rate	7.28%
Inflation	2.25%
Salary Increases[1]	3.50%
Investment Rate of Return[2]	7.28%
Mortality[3]	CalPERS' Membership Data
Health care cost trend rates	The rate for Post-65 participants is estimated at 5.00%. The rate for pre-65 is estimated as shown in the table below.

Year Beginning	Increase in Premium Rates
2019	8.00%
2020	7.75%
2021	7.50%
2022	7.25%
2023	7.00%
2024	6.75%
2025	6.50%
2026	6.25%
2027	6.00%
2028	5.75%
2029	5.50%
2030	5.25%
2031 and later	5.00%

(1) Since benefits do not depend on salary, using an aggregate payroll assumption for purposes of calculating the service costs results in negligible error.

(2) Net of OPEB plan investment expense; includes inflation.

(3) 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. For more details on this table, refer to the April 2014 experience study report.

The arithmetic long-term expected rate of return on OPEB plan investments for the next ten years was provided by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed income mix and a 2.26% inflation rate. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Class	**Target Allocation**	**Long-Term * Expected Real Rate of Return**
Equity	60.00%	5.49%
Fixed Income	32.00%	1.65%
Real Estate Investment Trusts	8.00%	5.06%
Total	100.00%	

*JPMorgan arithmetic Long-Term Capital Market assumptions and expected inflation of 2.26%.

Discount Rate

Accounting standards for OPEB require a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments are compared in each period of projected benefit payments. The discount rate used to measure the total OPEB liability at June 30, 2018 is based on these requirements and the following information:

Discount Rate	**Bond Buyer 20-Bond GO Index**
7.28%	3.87%

Changes in the Net other postemployment benefits (OPEB) Asset

The changes in the net OPEB asset for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (TOL) (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (Asset) (a)-(b)**
Balance at June 30, 2017	$ 6,376,160	$ 7,292,762	*$ (916,602)
Changes recognized for the measurement period:			
Service cost	269,165		269,165
Interest on TOL	476,950		476,950
Contributions—employer		221,901	(221,901)
Actual investment income		580,525	(580,525)
Differences between expected and actual experience	(11)		(11)
Benefit payments	(190,988)	(190,988)	
Administrative expense		(3,795)	3,795
Net changes	555,116	607,643	(52,527)
Balance at June 30, 2018 (Measurement date June 30, 2018)	$ 6,931,276	$ 7,900,405	$ (969,129)

*With the implementation of GASB 75 the valuation of the Net OPEB Asset of $916,602 as of June 30, 2017 was adjusted from the OPEB Prepaid beginning balance of $2,283,015 by expensing $1,366,413.

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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

Sensitivity of the JPIA's Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the JPIA, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.28%)	Current Discount Rate (7.28%)	Discount Rate +1% (8.28%)
Net OPEB Asset	$ 31,836	$ 969,129	$ 1,760,583

Sensitivity of the JPIA's Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the JPIA, as well as what the net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Trend Rate -1%	Health Care Trend Rate	Trend Rate +1%
Net OPEB asset (liability)	$ 1,853,201	$ 969,129	$ (98,979)

OPEB plan fiduciary net position

Detailed information about the Plan's fiduciary net position is available on CalPERS' website in an annual report titled "California Employers' Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, and Schedule of Changes in Fiduciary Net Position by Employer." Additionally, CalPERS annually issues a Comprehensive Annual Financial Report which includes the CERBT fund's financial information.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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Year Ended September 30, 2018

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB Trust investments	5 years
All other amounts	Expected average remaining service lives (EARSL) of plan participants

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended September 30, 2018, the JPIA recognized OPEB expense of $1,555,117. At September 30, 2018, the JPIA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 35,283	$ 0
Differences between expected and actual experience		10
Net difference between projected and actual earnings on OPEB plan investments		38,914
Total	$ 35,283	$ 38,924

The $35,283 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as an increase in the net OPEB Asset during the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended September 30	
2019	$ 9,729
2020	9,729
2021	9,729
2022	9,729
2023	3
Thereafter	5

(11) Deferred Compensation Plan

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

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

REQUIRED SUPPLEMENTARY INFORMATION

ASSOCIATION OF CALIFORNIA WATER AGENCIES
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RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

SEPTEMBER 30, 2018

	Liability Program	Property Program	Workers' Compensation Program	Employee Benefits Program	Total
Unpaid Claims and Claim Adjustment at Beginning of the Fiscal Year	$ 22,279,654	$ 970,868	$ 29,953,538	$ 7,945,497	$ 61,149,557
Incurred Claims and Allocated Claim Adjustment Expense:					
Provisions for Insured Events of the Current Fiscal Year	11,886,409	1,096,676	5,935,071	65,757,016	84,675,172
Increase (decrease) in Provision for Incurred Events of Prior Fiscal Years	(889,536)	99,349	(2,826,337)	9,368,823	5,752,299
Total Incurred Claims and Allocated Claim Adjustment Expenses	10,996,873	1,196,025	3,108,734	75,125,839	90,427,471
Payments					
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	1,827,061	715,148	1,045,395	59,192,754	62,780,358
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	8,016,002	411,337	5,146,301	17,314,328	30,887,968
Total Payments	9,843,063	1,126,485	6,191,696	76,507,082	93,668,326
Discounted Unpaid Claims and Allocated Claim Adjustment Expense at the End of the Fiscal Year	$ 23,433,464	$ 1,040,408	$ 26,870,576	$ 6,564,254	$ 57,908,702
Components:					
Provision for Claims (Current)	$ 5,892,112	$ 785,857	$ 5,808,950	$ 6,564,254	$ 19,051,173
Claims Reserves	7,001,999	107,040	4,524,451	0	11,633,490
Claims Incurred But Not Reported	10,044,603	93,514	14,211,757	0	24,349,874
Unallocated Loss Adjustment Liability	494,750	53,997	2,325,418	0	2,874,165
Total Claims Liability	$ 23,433,464	$ 1,040,408	$ 26,870,576	$ 6,564,254	$ 57,908,702

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TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2018

LIABILITY PROGRAM

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
1. Required contribution and investment revenue:										
Earned	$ 18,219,444	$ 18,869,030	$ 18,956,028	$ 19,797,774	$ 17,694,382	$ 16,860,418	$ 15,681,231	$ 15,745,445	$ 16,383,697	$ 17,423,602
Ceded	4,906,389	4,608,867	4,595,419	4,145,093	4,080,300	3,659,417	3,634,717	3,875,750	2,758,676	3,014,553
Net earned	13,313,055	14,260,163	14,360,609	15,652,681	13,614,082	13,201,001	12,046,514	11,869,695	13,625,021	14,409,049
2. Unallocated expenses	3,361,269	2,067,132	2,268,495	2,515,250	1,671,830	2,306,382	1,990,127	1,997,152	2,187,781	1,512,756
3. Estimated claims and expenses end of policy year:										
Incurred	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	12,521,301
Ceded	800,459	775,277	1,482,000	3,340,797	2,803,191	2,829,815	2,688,625	3,489,316	949,000	860,000
Net incurred	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	11,661,301
4. Net paid (cumulative) as of :										
End of policy year	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	1,827,061
One year later	2,482,488	2,768,106	2,536,953	2,347,481	2,892,313	3,985,953	4,630,229	5,197,925	3,375,115	
Two years later	4,668,354	4,178,258	3,380,763	5,333,836	4,419,948	5,066,762	5,405,345	9,257,380		
Three years later	7,081,902	4,952,630	3,840,217	6,184,173	4,569,894	5,883,558	7,270,381			
Four years later	7,645,834	4,962,995	4,731,053	6,176,719	4,592,713	6,077,650				
Five years later	7,933,851	5,128,754	4,572,283	6,345,207	4,647,004					
Six years later	8,575,171	5,185,572	4,572,301	6,496,242						
Seven years later	8,609,827	5,123,625	4,577,880							
Eight years later	8,601,300	5,122,798								
Nine years later	8,601,300									
5. Reestimated claims and expenses:	5,196,566	55,000	13,000	25,000	14,000	8,542,000	122,000	379,000	357,000	860,000
6. Reestimated net incurred claims and expenses:										
End of policy year	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	11,661,301
One year later	6,818,148	6,683,075	6,436,591	7,445,949	6,729,662	10,676,485	8,611,154	10,817,319	10,717,162	
Two years later	7,278,037	6,092,815	4,951,214	6,853,715	6,742,879	9,275,901	7,454,187	10,800,508		
Three years later	9,129,176	6,150,522	4,825,003	8,546,852	5,191,809	8,487,171	7,961,888			
Four years later	10,326,885	5,420,192	5,343,648	6,607,018	4,744,468	8,216,397				
Five years later	10,248,532	5,423,372	4,697,574	7,399,352	4,711,351					
Six years later	10,193,683	5,248,260	4,850,372	7,471,152						
Seven years later	8,966,967	5,144,785	4,924,499							
Eight years later	8,601,301	5,125,967								
Nine years later	8,601,301									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ 423,858	$ (1,520,799)	$ (3,130,662)	$ (689,786)	$ (3,826,457)	$ (946,018)	$ (4,089,847)	$ (720,717)	$ (957,336)	$ 0

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TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
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PROPERTY PROGRAM

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
1. Required contribution and investment revenue:										
Earned	$ 3,925,177	$ 4,143,017	$ 4,397,768	$ 4,607,305	$ 4,875,627	$ 5,111,207	$ 5,313,160	$ 5,062,342	$ 5,277,317	$ 5,694,662
Ceded	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	1,657,369
Net earned	1,673,345	1,499,648	1,542,031	1,556,537	1,506,640	2,390,718	2,994,899	3,535,342	3,753,796	4,037,293
2. Unallocated expenses	92,801	193,540	200,019	309,319	192,097	421,770	1,730,287	1,667,189	1,811,027	1,079,839
3. Estimated claims and expenses end of policy year:										
Incurred	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	4,625,770
Ceded	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	3,316,000
Net incurred	553,459	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573	1,733,825	1,309,770
4. Net paid (cumulative) as of :										
End of policy year	464,893	692,003	775,702	661,882	596,198	952,945	611,312	847,420	1,275,484	1,089,031
One year later	512,365	694,396	790,438	760,239	616,432	1,052,728	778,469	848,772	1,211,080	
Two years later	512,122	689,284	790,438	822,930	615,623	1,047,753	808,445	849,197		
Three years later	511,822	689,621	801,074	922,930	615,623	1,047,753	801,718			
Four years later	512,340	689,621	801,074	922,930	615,623	1,105,398				
Five years later	512,340	689,621	801,074	922,930	615,623					
Six years later	512,340	689,621	801,074	922,930						
Seven years later	512,340	689,621	801,074							
Eight years later	512,340	686,371								
Nine years later	512,340									
5. Reestimated claims and expenses:	189,526	2,405,483	1,693,575	1,635,785	657,678	359,408	8,000	416,000	4,799,000	3,316,000
6. Reestimated net incurred claims and expenses:										
End of policy year	553,459	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573	1,733,825	1,309,770
One year later	522,443	704,286	810,318	767,256	618,919	1,052,729	1,039,107	870,772	1,512,876	
Two years later	514,843	699,244	790,438	899,853	615,623	1,047,754	809,445	871,272		
Three years later	514,594	699,611	801,074	922,930	615,623	1,107,754	801,718			
Four years later	512,340	689,621	801,074	922,930	615,623	1,105,399				
Five years later	512,340	689,621	801,074	922,930	615,623					
Six years later	512,340	689,621	801,074	922,930						
Seven years later	512,340	689,621	801,074							
Eight years later	512,340	686,371								
Nine years later	512,340									
7. (Decrease) in estimated incurred claims and expense from end of policy year	$ (41,119)	$ (27,614)	$ (20,488)	$ 129,772	$ (102,256)	$ (100,169)	$ (50,555)	$ (301)	$ (220,949)	$ 0

ASSOCIATION CALIFORNIA WATER AGENCIES
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WORKERS' COMPENSATION

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
1. Required contribution and investment revenue:										
Earned	$ 9,894,721	$ 10,800,962	$ 12,172,947	$ 12,374,430	$ 13,130,046	$ 12,426,681	$ 12,275,315	$ 12,422,213	$ 12,566,652	$ 12,471,008
Ceded	494,603	481,560	466,931	413,858	516,165	523,904	431,752	506,645	556,796	494,703
Net earned	9,400,118	10,319,402	11,706,016	11,960,572	12,613,881	11,902,777	11,843,563	11,915,568	12,009,856	11,976,305
2. Unallocated expenses:	3,496,273	2,772,000	3,312,909	2,432,409	2,955,791	2,056,099	2,454,622	1,968,237	2,049,099	1,844,927
3. Estimated claims and expenses end of policy year:										
Incurred	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	6,645,736
Ceded	0	40,000	80,000	230,000	32,500	130,000	0	0	0	0
Net incurred	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	6,645,736
4. Net paid (cumulative) as of :										
End of policy year	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	1,365,070
One year later	2,330,555	2,397,814	2,473,734	2,351,310	3,039,536	2,499,754	2,726,529	1,666,309	2,345,827	
Two years later	2,995,227	3,072,147	3,042,230	2,901,384	3,944,478	3,207,520	3,343,412	2,086,129		
Three years later	3,540,747	3,511,922	3,579,172	3,238,077	4,974,571	3,675,577	3,828,609			
Four years later	3,996,495	3,973,600	4,165,524	3,408,547	5,612,187	4,198,011				
Five years later	4,311,695	4,264,689	4,437,992	3,554,532	5,947,094					
Six years later	4,560,979	4,474,830	4,555,980	4,989,772						
Seven years later	4,901,484	4,505,476	4,821,961							
Eight years later	5,182,597	4,533,418								
Nine years later	5,444,384									
5. Reestimated claims and expenses:	0	0	0	350,000	0	0	0	0	0	0
6. Reestimated net incurred claims and expenses:										
End of policy year	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	6,645,736
One year later	6,099,868	5,409,694	6,406,747	5,377,941	6,382,564	5,387,863	6,638,361	4,581,505	5,965,054	
Two years later	5,222,307	5,588,999	5,978,804	5,632,117	6,853,254	5,705,488	6,740,067	3,800,513		
Three years later	5,524,329	4,997,277	6,286,812	5,255,945	7,985,933	5,778,062	6,080,657			
Four years later	5,656,262	5,181,837	6,373,660	5,343,587	8,496,518	5,615,771				
Five years later	5,988,258	5,622,302	6,397,276	5,415,049	8,816,370					
Six years later	6,668,721	5,567,475	6,177,577	5,829,245						
Seven years later	6,962,865	5,123,602	5,355,995							
Eight years later	6,746,685	4,963,935								
Nine years later	6,745,438									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ 1,856,528	$ (1,084,908)	$ (209,157)	$ (345,065)	$ 2,933,197	$ (450,785)	$ 275,601	$ (1,898,026)	$ (1,237,149)	$ 0

ASSOCIATION CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

TEN - YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2018

EMPLOYEE BENEFITS

	2012*	2013	2014	2015	2016	2017
1. Required contribution and investment revenue:						
Earned	$ 56,282,726	$ 114,818,392	$ 122,385,734	$ 124,130,192	$ 128,287,539	$ 140,238,629
Ceded	541,419	836,491	1,029,985	1,276,428	1,538,801	1,636,443
Net earned	55,741,307	113,981,901	121,355,749	122,853,764	126,748,738	138,602,186
2. Unallocated expenses:	737,231	1,734,193	2,878,450	3,638,855	2,937,002	2,808,269
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	82,300,575
Ceded	3,262,087	755,783	691,553	1,908,777	4,646,895	1,220,439
Net incurred	31,943,031	69,673,817	72,722,671	79,189,212	81,553,961	81,080,136
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	81,080,136
One year later	32,327,809	69,742,278	74,319,010	79,155,502	81,292,341	
Two years later	31,837,837	69,744,060	74,319,010	78,652,326		
Three years later	31,837,948	69,744,060	74,319,761			
Four years later	31,837,948	69,748,815				
Five years later	31,837,897					
5. Reestimated claims and expenses:	3,262,087	755,783	691,553	1,908,777	4,690,073	1,220,439
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	81,080,136
One year later	35,484,702	70,594,649	74,319,010	79,155,502	81,713,255	
Two years later	34,609,952	69,744,060	74,319,010	80,561,102		
Three years later	31,837,948	69,744,060	75,011,314			
Four years later	31,837,948	70,503,397				
Five years later	34,610,012					
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	$ 2,666,981	$ 829,580	$ 2,288,643	$ 1,371,890	$ 159,294	$ 0

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

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

Notes to Required Supplementary Information
Year Ended September 30, 2018

(1) <u>Reconciliation of Claims Liabilities by Type of Contract</u>

These schedules represent the changes in claims liabilities in the past year for the Liability, Property, Workers' Compensation, and Employee Benefit Programs.

(2) <u>Claims Development Information</u>

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 CHANGES IN THE NET OPEB ASSET
AND RELATED RATIOS
for the Measurement Periods Ended June 30,
LAST 10 YEARS*

	2018
TOTAL OPEB LIABILITY	
Service cost	$ 269,165
Interest	476,950
Differences between expected and actual experience	(11)
Benefit payments	(190,988)
NET CHANGE IN TOTAL OPEB LIABILITY	555,116
TOTAL OPEB LIABILITY, Beginning	6,376,160
TOTAL OPEB LIABILITY, Ending (a)	6,931,276
PLAN FIDUCIARY NET POSITION	
Contributions—employer	221,901
Net investment income	580,525
Benefit payments	(190,988)
Administrative expense	(3,795)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	607,643
PLAN FIDUCIARY NET POSITION, Beginning	7,292,762
PLAN FIDUCIARY NET POSITION, Ending (b)	7,900,405
NET OPEB LIABILITY (ASSET), Ending (a) - (b)	$ (969,129)
Plan fiduciary net position as a percentage of the total OPEB liability	113.98%
Covered-employee payroll	$ 4,470,013
Net OPEB asset as a percentage of covered-employee payroll	-21.68%

Notes to Schedule:
During the measurement period ended June 30, 2018, the Plan was amended to provide the coverage to surviving spouses.

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30,
LAST 10 YEARS*

	2018
Actuarial determined contribution	$ 221,901
Contributions in relation to the actuarially determined contribution	(221,901)
Contribution deficiency (excess)	0
Covered-employee payroll	4,470,013
Contributions as a percentage of covered-employee payroll	4.96%

Notes to Schedule:
Actuarial methods and assumptions used to set the actuarially determined contributions for Plan Year 2018 were from the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contributions:
The discount rate for determining the actuarially determined contribution has been set based on the assumption that assets will be sufficient to cover all future benefit payments under the plan, and that the employer will annually make contributions equal to the actuarially determined contribution.
For additional methods and assumptions refer to note 10 of the financial statements.

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
As Of September 30, 2018
Last 10 Years*

	Measurement Date			
	6/30/2015	**6/30/2016**	**6/30/2017**	**6/30/2018**
The JPIA's Proportion of the Net Pension Liability (Asset)	(0.01024%)	0.038815%	0.013959%	(0.023017%)
The JPIA's Proportionate Share of the Net Pension Liability (Asset)	($280,963)	$1,348,385	$550,282	($867,450)
The JPIA's Covered-Employee Payroll	$3,838,778	$4,240,054	$4,411,665	$4,470,013
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%	(19.41%)
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%	75.26%

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

Notes to Schedule:

Change of benefit terms - There were no changes to the benefit terms.

Changes in assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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, 2018
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	2015	2016	2017	2018
Actuarially determined contribution (actuarially determined)	$334,581	$352,666	$349,738	$361,115
Contributions in relation to the actuarially determined contributions	334,581	352,666	349,738	361,115
Contribution deficiency (excess)	0	0	0	0
Covered-employee payroll	$3,917,613	$4,519,745	$4,428,325	$4,524,319
Contributions as a percentage of covered-employee payroll	8.54%	7.80%	7.90%	7.98%

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

SUPPLEMENTARY INFORMATION

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM
YEAR ENDED SEPTEMBER 30, 2018

	LIABILITY	DAM FAILURE	PROPERTY	PASS - THROUGHS	WORKERS' COMP	STORAGE TANKS	EMPLOYEE BENEFITS	RPA ADJUSTMENTS	TOTALS
OPERATING REVENUES									
Member premiums	$ 17,428,562	$ 261,024	$ 5,182,747	$ 372,025	$ 12,490,706	$ 23,585	$ 143,666,625	$ 0	$ 179,425,274
Retrospective premium adjustments	(301,742)	0	77,893	0	(4,765,218)	(10,295)	0	1,618,392	(3,380,970)
TOTAL OPERATING REVENUES	17,126,820	261,024	5,260,640	372,025	7,725,488	13,290	143,666,625	1,618,392	176,044,304
OPERATING EXPENSES									
Claims expense:									
Claims paid	9,843,064	0	1,126,485	0	6,191,696	0	76,507,081		93,668,326
Change in claims reserves	4,026,728	0	(31,738)	0	(807,895)	0	0		3,187,095
Change in claims incurred but not reported	(2,847,883)	0	93,513	0	(1,988,029)	0	(1,381,235)		(6,123,634)
Change in unallocated loss adjustment expense	(25,035)	0	7,764	0	(287,037)	0	0		(304,308)
Total claims expense	10,996,874	0	1,196,024	0	3,108,735	0	75,125,846	0	90,427,479
Excess insurance	3,023,138	250,000	2,104,187	378,807	519,653	11,320	1,984,008		8,271,113
Benefit premiums	0	0	0	0	0	0	55,387,827		55,387,827
General, Administrative & Depreciation	3,127,769	11,024	1,458,826	(6,782)	4,080,808	400	2,437,835		11,109,880
TOTAL OPERATING EXPENSES	17,147,781	261,024	4,759,037	372,025	7,709,196	11,720	134,935,516	0	165,196,299
OPERATING INCOME (LOSS)	(20,961)	0	501,603	0	16,292	1,570	8,731,109	1,618,392	10,848,005
NONOPERATING REVENUES									
Investment income	315,347	0	97,861	0	211,299	1,196	1,938,745		2,564,448
Net decrease in investment fair value	(294,386)	0	(99,465)	0	(227,591)	(407)	(1,647,674)		(2,269,523)
TOTAL NONOPERATING REVENUES	20,961	0	(1,604)	0	(16,292)	789	291,071	0	294,925
CHANGE IN NET POSITION	$ 0	$ 0	$ 499,999	$ 0	$ 0	$ 2,359	$ 9,022,180	$ 1,618,392	$ 11,142,930

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,									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Assets										
Current assets	$ 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	$ 60,182,304
Noncurrent assets	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	128,161,913
TOTAL ASSETS	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	188,344,217
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS[1]							625,033	1,065,779	1,404,974	1,063,032
DEFERRED OUTFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS[2]										35,283
Liabilities										
Current liabilities	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	44,238,468
Noncurrent liabilities	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	56,582,233
TOTAL LIABILITIES	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	100,820,701
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS[1]							846,155	1,802,985	1,576,175	2,117,303
DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS[2]										38,924
Net Position										
Net investment in capital asse	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	4,641,581
Unrestricted	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	81,824,023
TOTAL NET POSITION	$ 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	$ 86,465,604

1- Beginning in the fiscal year ended September 30, 2015, GASB 68 required the recognition of net pension liability, the related deferred outflows and inflows of resources, and pension expenses.
2- Beginning in the fiscal year ended September 30, 2018, GASB 75 required the recognition of net other postemployment benefits (OPEB) liability, the related deferred outflows and inflows of resources, and OPEB 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,									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
REVENUES										
Member premiums	$ 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	$ 179,425,274
Retrospective premium adjustments	(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)	(3,380,970)
TOTAL OPERATING REVENUES	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	176,044,304
EXPENSES										
Claims paid	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	93,668,325
Change in excess aggregate recovery	(88,462)	(87,603)	(215,529)	(8,186)	399,779	0	0	0	0	0
Change in claim reserves	2,281,381	2,112,946	(451,162)	395,087	1,651,729	1,109,472	4,098,558	(1,008,442)	(255,677)	3,187,095
Change in claims incurred but not reported	(65,834)	352,164	383,658	3,058,785	(2,586,808)	616,144	4,153,850	(3)	3,832,135	(6,123,633)
Change in unallocated loss adjustment expenses	63,789	133,186	(153,673)	86,653	(154,761)	490,716	281,517	277,793	165,446	(304,308)
TOTAL CLAIMS EXPENSE	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	90,427,479
Excess insurance and premium payments	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	63,658,940
General and administrative	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	10,865,359
Depreciation	57,051	51,921	234,085	322,936	322,789	366,360	341,832	268,088	254,843	244,521
TOTAL OPERATING EXPENSES	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	165,196,299
OPERATING INCOME (LOSS)	(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	10,848,005
SPECIAL ITEM										
Net position acquired from merger				34,986,207						
NONOPERATING REVENUES AND EXPENSES										
Net investment income	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	294,925
CHANGE IN NET POSITION	$ 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	$ 11,142,930

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
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%	
2017-18	17,147,781	261,024	5,259,036	372,025	7,709,196	14,079	0	143,957,698	1,618,390	176,339,229
	9.72%	0.15%	2.98%	0.21%	4.37%	0.01%	0.00%	81.64%	0.92%	

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
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%	
2017-18	17,147,781	261,024	4,759,037	372,025	7,709,196	11,720	0	134,935,516	0	165,196,299
	10.38%	0.16%	2.88%	0.23%	4.67%	0.01%	0.00%	81.68%	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		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Liability											
Payroll Adjustments	*	$ (417,934)	$ (360,462)	$ (233,722)	$ (41,178)	$ 8,771	$ 77,449	$ 205,975	$ (21,465)	$ (54,358)	$ 63,818
RPA's	*	(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	2,488,066
10% Program	*	(610,203)	(546,891)	(1,165,719)	(1,006,330)	(861,439)	(416,028)	(251,999)	(1,041,835)	(1,493,572)	0
Cat Funds	*	997,823	1,000,197	0	0	(5,357,186)	1,106,460	2,201,780	896,656	(603,846)	351,039
Property											
RPA's	*	34,265	593,611	496,479	770,282	1,497,493	747,493	422,814	324,287	699,465	891,754
Workers' Comp											
RPA's	*	6,489,431	7,473,796	5,745,357	5,120,265	(1,815,910)	(182,993)	(1,294,405)	(487,746)	75,039	5,013,647
Cat Funds						(911,678)	1,154,883	(752,710)	(631,586)	(872,242)	456,049
Underground - Storage Tanks											
RPA's	*	169,480	0	10,713	0	0	0	0	0	0	0
Cat Funds	*	40,274	0	2,521	0	0	0	0	0	0	0
UTEL											
RPA's	*	0	0	0	0	0	0	0	0	0	0
Cat Funds	*	35,762	0	0	0	0	0	0	0	0	0
Totals		$ 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	$ 9,264,373
Cash Flow											
Members Billed		56,923	0	89	2,766	8,551	7,556	115,297	0	0	0
Self Insured Fund into RSF		0	0	0	4,573,112	0	0	0	0	0	0
Refunds to Members		(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)	(6,840,987)
Net Total		$ 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	$ 2,423,386

* 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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Liability										
Total Number of Claims (Cumulative)	9,551	9,769	10,063	10,309	10,614	10,792	9,393	11,294	11,586	11,908
Closed Claims (Cumulative)	9,381	9,598	9,897	10,158	10,402	10,640	10,872	11,127	11,373	11,612
Open Claims (at year end)	170	171	166	151	212	152	180	167	213	296
Covered Payroll (Cumulative)	$ 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	$ 11,045,237
Property										
Total Number of Claims (Cumulative)	1,801	1,888	1,978	2,079	2,181	2,275	2,373	2,463	2,589	2,693
Closed Claims (Cumulative)	1,775	1,857	1,944	2,030	2,142	2,244	2,336	2,417	2,532	2,645
Open Claims (at year end)	26	31	34	49	39	31	37	46	57	48
Covered Payroll (Cumulative)	$ 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	$ 87,762,361
Workers' Compensation										
Total Number of Claims (Cumulative)	7,613	7,978	8,435	8,808	9,164	9,507	9,822	10,145	10,453	10,750
Closed Claims (Cumulative)	7,213	7,562	7,996	8,378	8,724	9,075	9,373	9,712	10,046	10,336
Open Claims (at year end)	400	416	439	430	440	432	449	433	407	414
Covered Payroll (Cumulative)	$ 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	$ 7,743,749
Number of Employees	38	39	39	39	43	46	48	49	49	49
Ratio of Premium to Payroll/TIV										
Liability Program	3.60%	3.56%	4.14%	4.09%	4.07%	4.02%	3.97%	2.88%	2.91%	3.02%
Property Program	0.11%	0.11%	0.12%	0.12%	0.11%	0.11%	0.11%	0.10%	0.09%	0.07%
Workers' Comp. Program	2.34%	2.40%	2.82%	2.81%	2.81%	2.79%	2.78%	2.59%	2.50%	2.39%

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

Employer	2017 Number of Employees	2017 Rank	2017 Percentage of Total City Employees	2008 Number of Employees	2008 Rank
The Permanente Medical Group & Foundation Group	4,988	1	6.48%	3,428	2
Hewlett-Packard	2,300	2	2.99%	3,600	1
Sutter Roseville Medical Group	2,100	3	2.73%	1,922	4
Union Pacific Railroad Company	1,150	4	1.49%	2,000	3
City of Roseville	1,149	5	1.49%	1,252	5
Roseville Joint Union High School District	1,090	6	1.42%	803	8
Roseville City School District	1,034	7	1.34%	897	6
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	10
Wal-Mart				862	7
Subtotal	15,890		20.64%	16,364	
Total Employment	76,925 (a)			80,015	

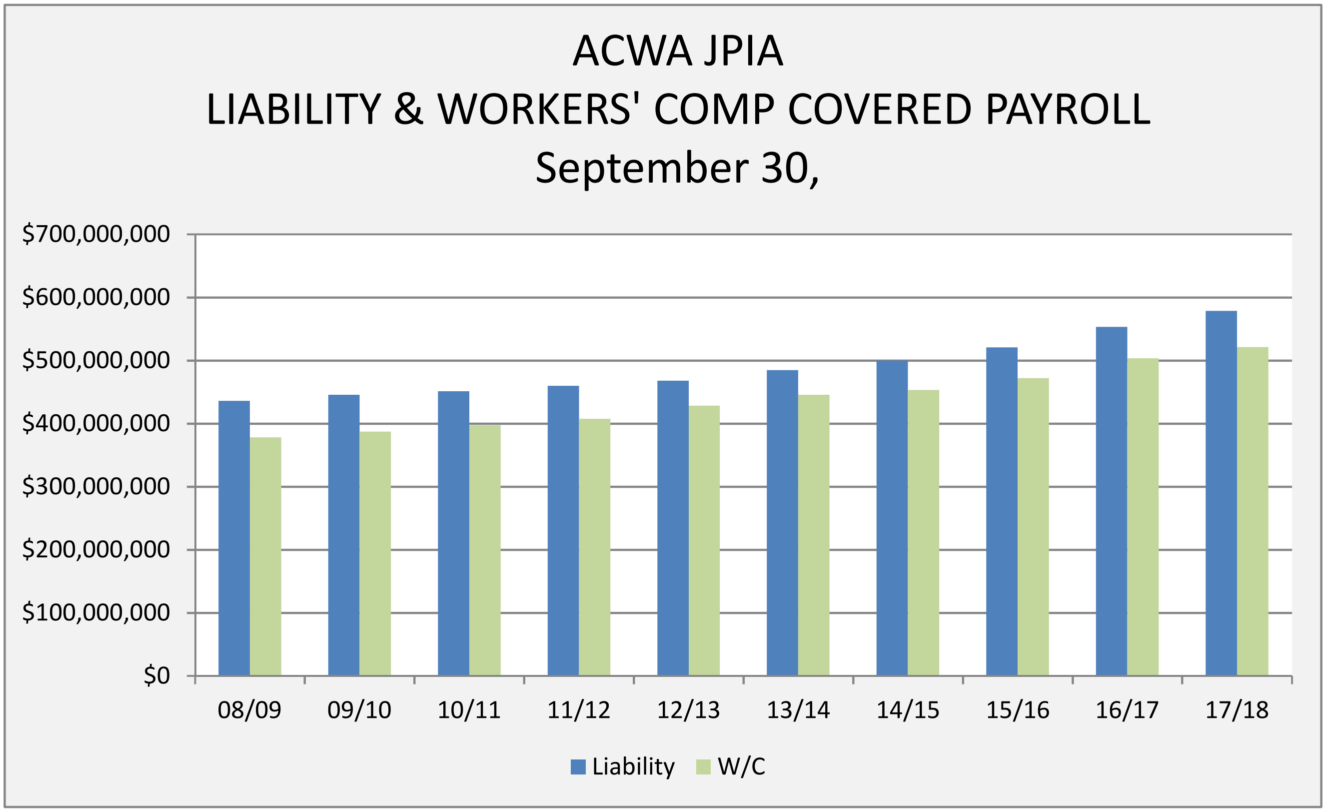
(a) Total Employment (as used above) represents the total employment of all employees located within the City of Roseville, which is the office location of ACWA JPIA.
(b) Information not available

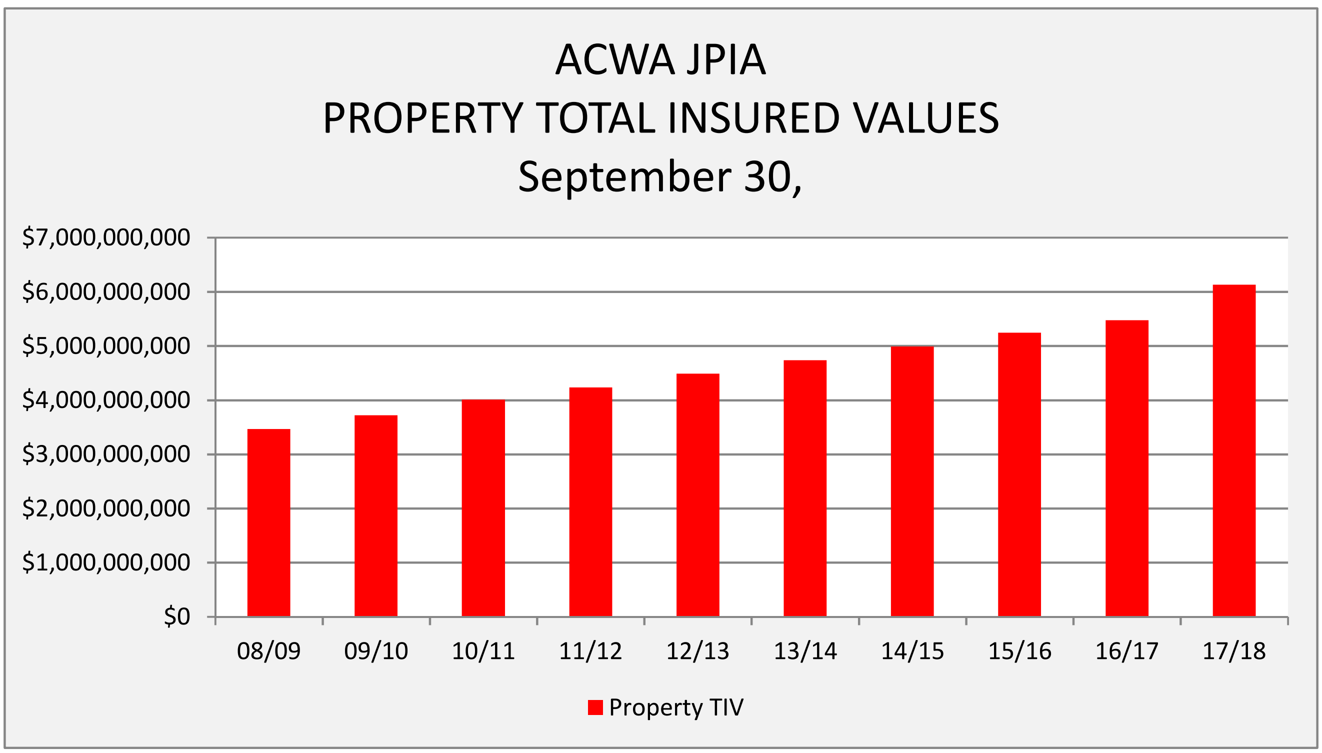
Association of California Water Agencies
Joint Powers Insurance Authority
Demographic Statistics by Population

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
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	55,000	6.5%	366,000	34.69%
2015	128,832	21,240,299	57,000	5.3%	369,454	34.87%
2016	134,073	(a)	(a)	4.5%	373,796	35.87%
2017	135,868	(a)	(a)	3.8%	382,837	35.49%

(a) Information not available

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


ACWA JPIA
LIABILITY & WORKERS' COMP COVERED PAYROLL
September 30,
$700,000,000
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
$0
08/09
09/10
10/11
11/12
12/13
13/14
14/15
15/16
16/17
17/18
Liability
W/C


ACWA JPIA
PROPERTY TOTAL INSURED VALUES
September 30,
$7,000,000,000
$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
08/09
09/10
10/11
11/12
12/13
13/14
14/15
15/16
16/17
17/18
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), which comprise the statement of net position as of September 30, 2018, and the related statement of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise ACWA JPIA's basic financial statements, and have issued our report thereon dated March 19, 2019.

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

March 19, 2019

ACWA JPIA
Proposed Operating Budget for Fiscal Year 10/1/2019-20
March 20, 2019

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 May 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, 2020.

CURRENT SITUATION
The most significant changes to the G&A budget for the fiscal year are staff salaries and staff employee benefits (lines 1 and 2).

Staff Salaries increase is due to an additional increase for managers' and directors' salaries to be in line with market based on survey information. This increase was approved by the Executive Committee during fiscal year 2019.

Staff Employee Benefits decrease is due to a lower anticipated changed in the JPIA pension liability with CalPERS. In the previous budget $1.1 million was used. This year's budget reflects an anticipated change of $600,000. These increases in the pension obligation are anticipated due to the lowering of the discount rate by CalPERS.

The overall increase in the operating budget is .1% (line 36). Salaries remain the largest line item in the budget.

RECOMMENDATION
That the Finance & Audit Committee recommend that the Executive Committee approve the Operating Budget for the fiscal year ending September 30, 2020 and forward to the Board of Director's at Conference.

Prepared by: David deBernardi, Director of Finance Date prepared: March 11, 2019

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

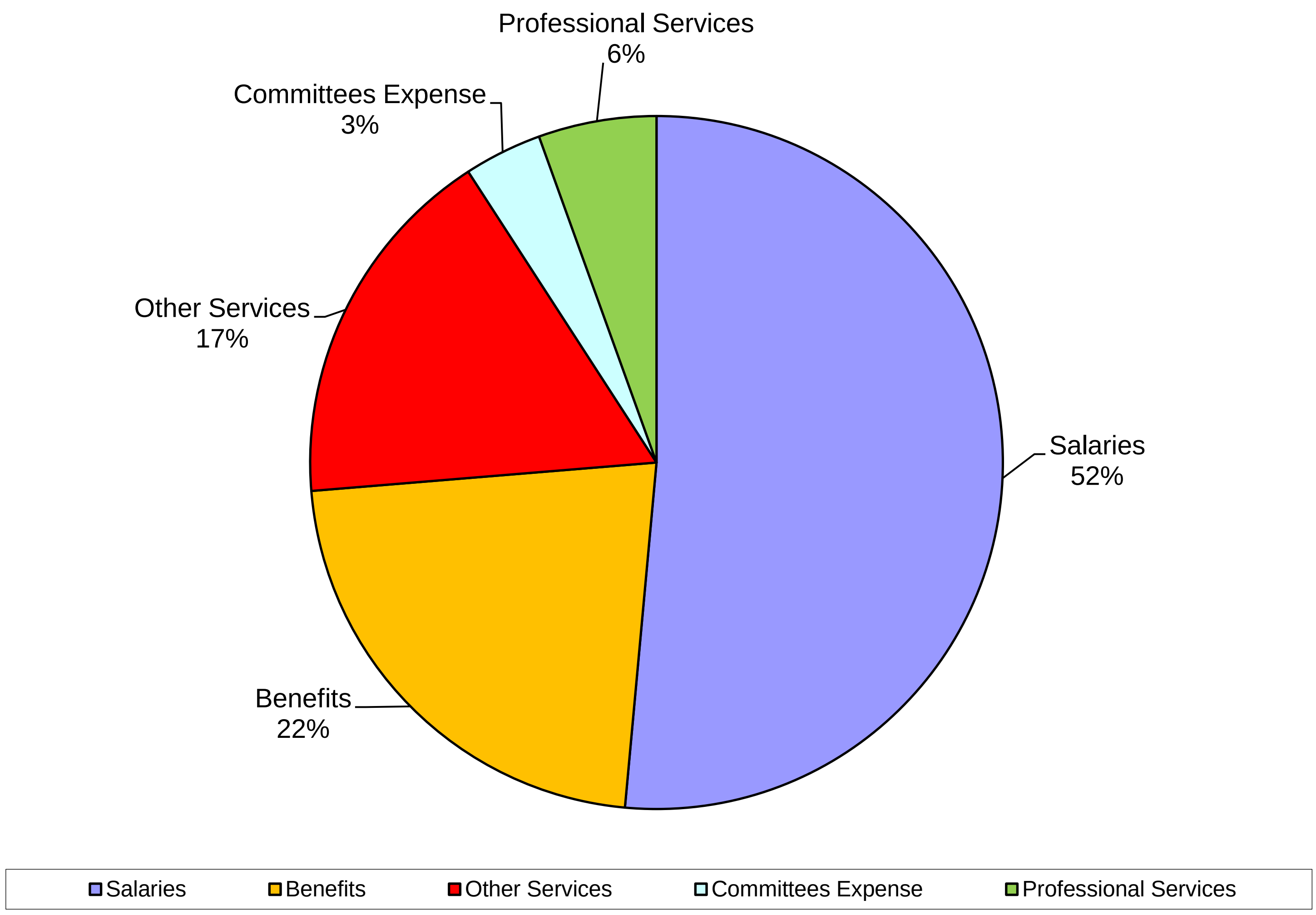
GENERAL & ADMINISTRATIVE EXPENSES

	BUDGETED FYE 9/30/18	ACTUAL FYE 9/30/18	DIFFERENCE ACT - BUD	APPROVED BUDGET FYE 9/30/19	**PROPOSED BUDGET FYE 9/30/20**	DIFFERENCE 2019 vs. 2020	% OF CHANGE 19 vs. 20
ACWA/JPIA STAFF SERVICES							
1 Staff Salaries & Temporary Services	$ 4,647,237	$ 4,614,207	$ (33,030)	$ 4,991,001	**$ 5,301,425**	$ 310,424	6.2%
2 Staff Employee Benefits	2,074,603	3,088,170	1,013,567	3,308,933	**2,891,166**	(417,767)	-12.6%
3 Office Buildings	110,000	113,114	3,114	116,000	**115,000**	(1,000)	-0.9%
4 Postage and Freight	51,000	50,851	(149)	46,000	**48,000**	2,000	4.3%
5 Telephone Service	46,000	56,331	10,331	50,000	**52,000**	2,000	4.0%
6 JPIA Perspective Printing & Distribution	23,000	18,334	(4,666)	24,000	**21,000**	(3,000)	-12.5%
7 Outside Printing	18,000	27,140	9,140	17,000	**21,000**	4,000	23.5%
8 JPIA Office Insurance	9,000	9,505	505	9,000	**10,000**	1,000	11.1%
9 General Office Supplies	36,000	39,656	3,656	36,000	**37,000**	1,000	2.8%
10 Computer Equipment Software, Office Furniture	1,180,000	763,373	(416,627)	840,000	**830,000**	(10,000)	-1.2%
11 Dues, Subscriptions, & Misc. Publications	100,000	109,828	9,828	90,000	**92,000**	2,000	2.2%
12 Staff Ed/Training Seminars & Coursework Reimbs	55,000	77,816	22,816	60,000	**65,000**	5,000	8.3%
13 Depreciation on Capital Assets	243,000	244,521	1,521	206,000	**204,000**	(2,000)	-1.0%
14 Staff Travel Related Expenses	75,000	72,563	(2,437)	75,000	**75,000**	-	0.0%
15 Staff Risk Assessment Travel Related Expenses	38,000	27,436	(10,564)	42,000	**42,000**	-	0.0%
16 Member Informational Workshops	60,000	61,221	1,221	70,000	**65,000**	(5,000)	-7.1%
17 Lending Library	11,000	9,628	(1,372)	15,000	**25,000**	10,000	66.7%
18 Member Safety & Loss Control Incentive Awards	6,000	4,800	(1,200)	16,000	**66,000**	50,000	312.5%
19 Total ACWA/JPIA Staff Services	**8,782,840**	**9,388,493**	**605,653**	**10,011,934**	**9,960,591**	**(51,343)**	**-0.5%**
COMMITTEES & BD. OF DIRECTORS' SERVICES							
20 Executive Committee Member Expenses	150,000	204,747	54,747	145,000	**220,000**	75,000	51.7%
21 Finance/Audit Committee & Committee Expenses	50,000	34,066	(15,934)	40,000	**40,000**	-	0.0%
22 Semi-Annual ACWA Conf. & Bd of Directors' Expense	125,000	101,893	(23,107)	143,000	**115,000**	(28,000)	-19.6%
23 Total Committees & Board of Directors' Services	**325,000**	**340,706**	**15,706**	**328,000**	**375,000**	**47,000**	**14.3%**
EXTERNAL CONSULTING AND PROF. SERVICES							
24 Insurance Program Actuarial Analysis	29,000	22,700	(6,300)	20,000	**20,000**	0	0.0%
25 Consulting Services	20,000	3,595	(16,405)	10,000	**5,000**	(5,000)	-50.0%
26 Occu-Med	90,000	87,344	(2,656)	90,000	**90,000**	0	0.0%
27 Target Solutions	127,000	128,400	1,400	130,000	**130,000**	-	0.0%
28 General Legal/Attorney Services	2,500	-	(2,500)	2,500	**2,500**	0	0.0%
29 Specific Claims & Coverage Related Legal Fees	50,000	75,824	25,824	45,000	**45,000**	0	0.0%
30 External Claims Administration	265,000	203,660	(61,340)	210,000	**230,000**	20,000	9.5%
31 ACWA/JPIA Financial Audit	46,800	46,480	(320)	50,000	**50,000**	0	0.0%
32 Insurance Programs Claims Audits	3,000	-	(3,000)	-	**-**	0	0.0%
33 Personnel Consulting Services	-	-	-	0	0	**0**	0.0%
34 Total External Consulting / Professional Services	**633,300**	**568,004**	**(65,296)**	**557,500**	**572,500**	**15,000**	**2.7%**
35 **PROGRAM DEVELOPMENT / CONTINGENCIES**	100,000	-	(100,000)	-	**-**	0	0.0%
36 TOTAL GENERAL & ADMINISTRATIVE EXPENSES	**$ 9,841,140**	**$ 10,297,203**	**$ 456,063**	**$10,897,434**	**$10,908,091**	**$ 10,657**	**0.1%**

ACWA JPIA
2019-2020 BUDGET WORK PAPERS - BENEFITS COMPARISON

					PERCENT OF GROSS PAYROLL			
	PROPOSED 2018-2019	PROPOSED 2019-2020	DOLLAR DIFFERENCE	PERCENT CHANGE	BUDGETED 2018-2019	PROPOSED 2019-2020	DIFFERENCE	PERCENT CHANGE
SALARIES	$ 4,991,001	$ 5,301,425	$ 310,424	6.22%				
PERS	$ 1,726,044	$ 1,253,930	$ (472,114)	-27.35%	34.58%	23.65%	-10.93%	-31.61%
MEDICARE	69,872	74,279	4,407	6.31%	1.40%	1.40%	0.00%	0.00%
MEDICAL	1,238,360	1,285,725	47,365	3.82%	24.81%	24.25%	-0.56%	-2.26%
DENTAL	50,386	46,187	(4,199)	-8.33%	1.01%	0.87%	-0.14%	-13.86%
LIFE	44,641	42,942	(1,699)	-3.81%	0.89%	0.81%	-0.08%	-8.99%
DISABILITY	43,941	44,952	1,011	2.30%	0.88%	0.85%	-0.03%	-3.41%
EMP.ASSIST.PROG.	1,424	1,410	(14)	-0.98%	0.03%	0.03%	0.00%	0.00%
WORK COMP	51,064	54,240	3,176	6.22%	1.02%	1.02%	0.00%	0.00%
VISION	12,701	12,701	-	0.00%	0.25%	0.24%	-0.01%	-4.00%
OTHER	70,500	74,800	4,300	6.10%	1.41%	1.41%	0.00%	0.00%
TOTAL STAFF EE BENEFITS	$ 3,308,933	$ 2,891,166	$ (417,767)	-12.63%	66.3%	54.5%	-11.76%	-17.74%

ACWA JPIA
General & Administrative Expenses
Fiscal year September 30, 2020



ACWA JPIA
Long-term Investment Portfolio Update
March 20, 2019

BACKGROUND
In November 2008, PFM began managing approximately two-thirds of the JPIA's investment portfolio.

CURRENT SITUATION
PFM will present a summary of the investment portfolio managed by them. This presentation will include commentary on the current market and thoughts about managing the investments going forward.

RECOMMENDATION
None, informational only.

Prepared by: David deBernardi, Director of Finance

Date prepared: March 11, 2019

Association of California Water Agencies Joint Powers Insurance Authority

Review of Portfolio – Quarter Ending December 31, 2018

Sarah Meacham, Managing Director

Richard Babbe, CCM, Senior Managing Consultant

PFM Asset
Management LLC

601 South Figueroa
Suite 4500
Los Angeles, CA
90017

(213) 489- 4075
pfm.com

Key Themes

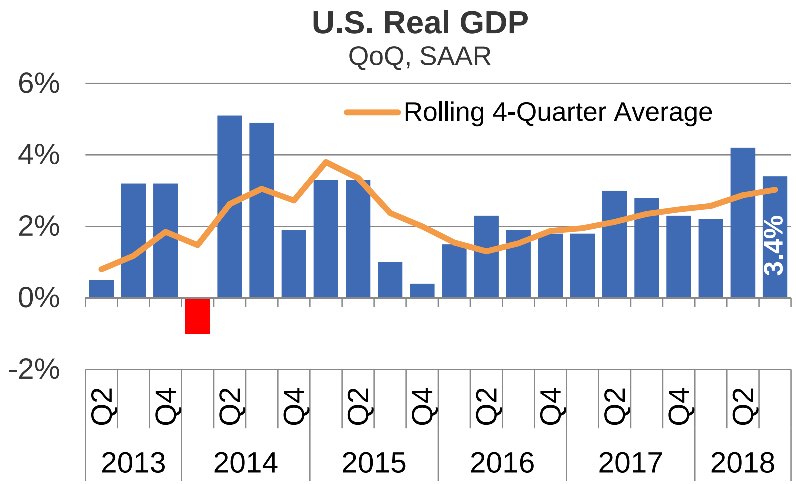
Economic Conditions During 2018

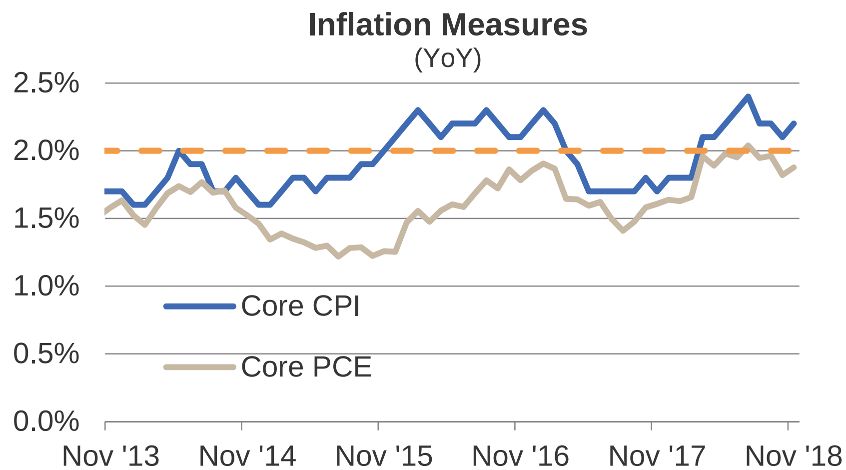
- Economic growth strengthened for the year.
- The labor market remained strong with the unemployment rate near a 49-year low.
- Inflation firmed up near the federal reserve's desired target level.
- Market volatility increased at year's end driven by weakening economic expectations, peak profit concerns, trade worries, interest rate concerns, and political uncertainty.
- After increasing for most of the year, interest rates fell sharply at year's end.

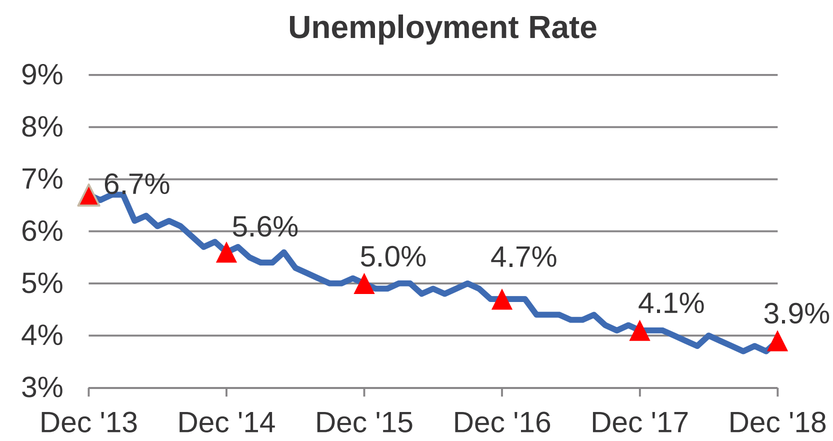
Portfolio Review

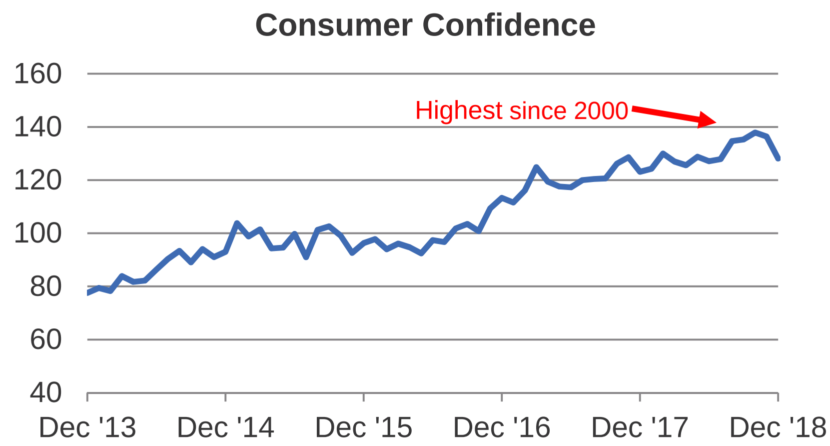
- We continued to actively manage the portfolios to add value in a rapidly changing interest rate environment.
- We positioned the portfolios with durations less than that of the benchmarks for most of 2018, which benefited the portfolios as interest rates increased. However, the sharp drop in interest rates during the quarter eroded some of that benefit, negatively impacting portfolio performance versus the benchmark. At the same time, the drop in longer-term yields positively impacted the portfolio's absolute performance.
- Our strategy over the past several months was to actively increase the portfolio's allocation to U.S. Treasuries, which helped to reduce relative underperformance versus the benchmark as U.S. Treasuries outperformed credit sectors for the quarter.
- We maintained the portfolios' overall allocation to the federal agency sector, which was one of the few to generate positive excess returns relative to U.S. Treasuries for the quarter.
- Corporates felt the pressure of wider spreads during the quarter. As a result, the sector underperformed most other sectors. While portfolio allocations to the sector detracted from performance relative to the benchmark during the quarter, the higher yields available on these investments have enhanced the portfolios' long-term return relative to the benchmark.

Current Economic Conditions









Source: Bloomberg, latest data available as of 12/31/2018.

Treasury Yields Fall From Recent Highs

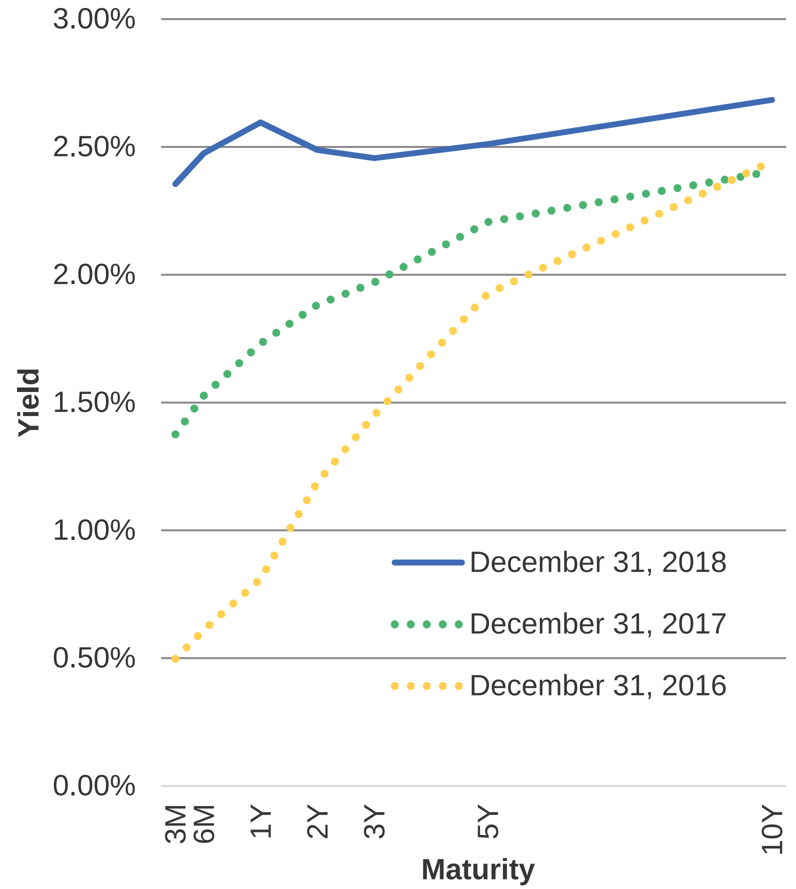
- The sell-off in equity markets in the fourth quarter sparked a flight to quality as investors sought the relative safety of U.S. Treasury obligations, pushing yields lower.
- As was widely expected, the Federal Reserve raised the federal funds target rate by 25 basis points for the fourth time in 2018 at its December meeting, but the consequential bump in yields was overcome by continued equity market uncertainty.

Quarter	Ending Yield	QoQ Change
4Q 2018	2.49%	-0.33%
3Q 2018	2.82%	0.29%
2Q 2018	2.53%	0.26%
1Q 2018	2.27%	0.38%
4Q 2017	1.89%	0.42%
3Q 2017	1.47%	0.09%
2Q 2017	1.38%	0.11%
1Q 2017	1.27%	0.07%
4Q 2016	1.20%	0.56%

Source: Bloomberg, as of 12/31/2018.

U.S. Treasury Curve

	4Q2018 12/31/18	4Q2017 12/31/17	4Q2016 12/31/16
3-month	**2.35%**	1.38%	0.50%
6-month	**2.48%**	1.53%	0.61%
1-year	**2.60%**	1.73%	0.81%
2-year	**2.49%**	1.88%	1.19%
3-year	**2.46%**	1.97%	1.45%
5-year	**2.51%**	2.21%	1.93%
10-year	**2.68%**	2.41%	2.44%



Source: Bloomberg, as of 12/31/2018.

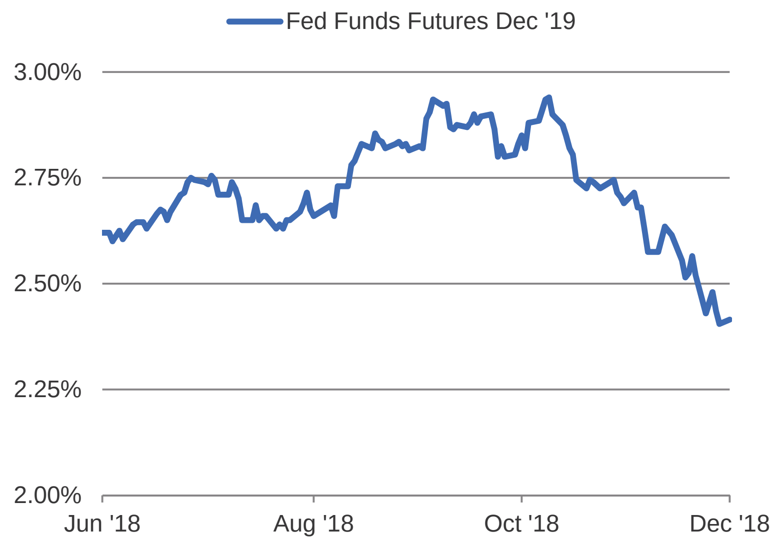
Fed Expectations for 2019 Less Optimistic

- According to the Federal Open Market Committee meeting minutes from December, the Committee believes that risks to the economic outlook are roughly balanced, but it will continue to monitor global economic and financial developments and assess their implications for the economic outlook.

- The Committee has grown less optimistic regarding near-term economic growth as its December projections for 2019 real GDP and inflation have decreased from the prior quarter's expectations.

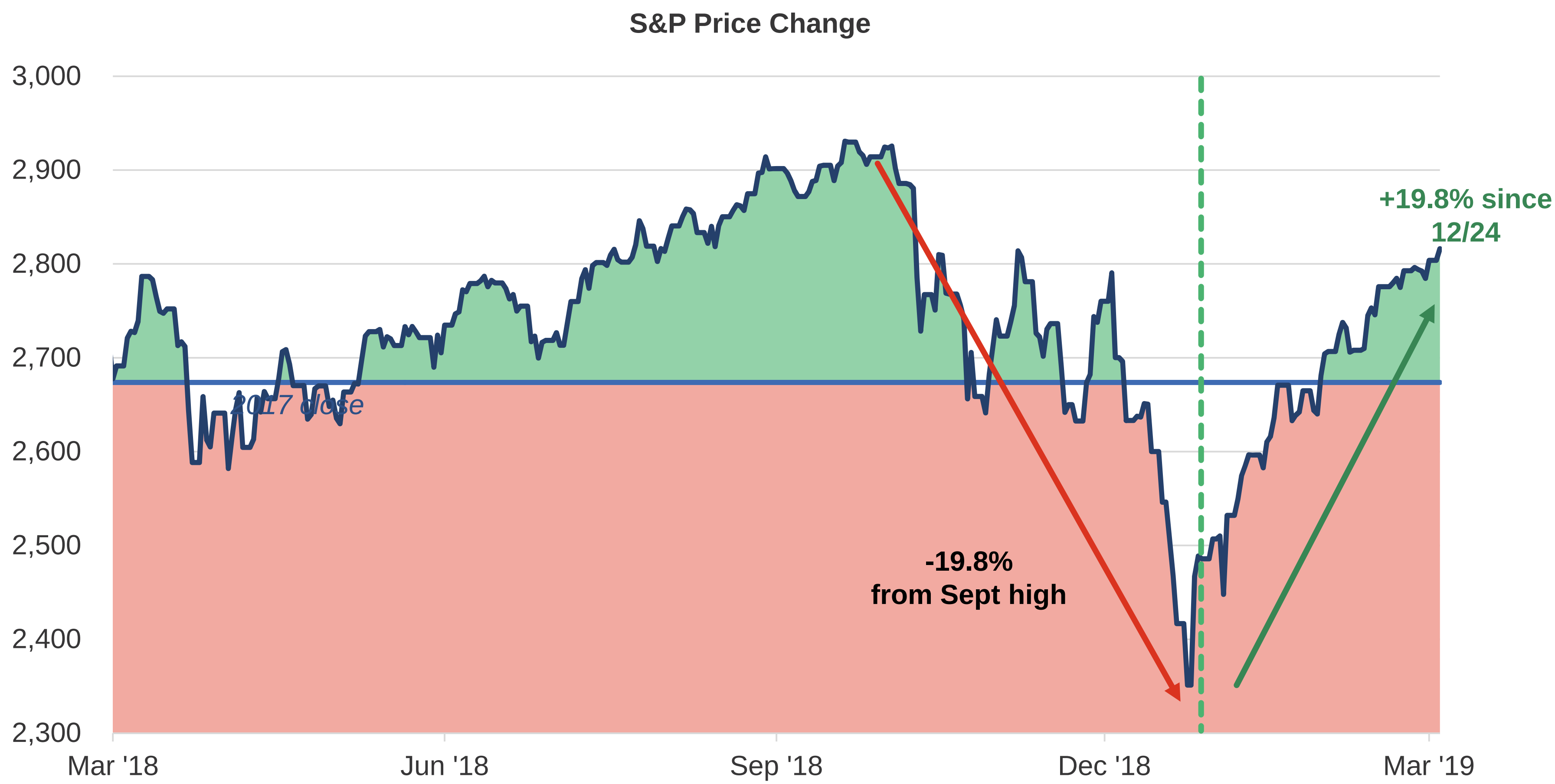
Indicator	2018		2019		Longer run	
	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
Real GDP (YoY)	3.1%	**3.0%**	2.5%	**2.3%**	1.8%	**1.9%**
Unemployment Rate	3.7%	3.7%	3.5%	3.5%	4.5%	**4.4%**
PCE Inflation (YoY)	2.1%	**1.9%**	2.0%	**1.9%**	2.0%	2.0%
Core PCE (YoY)	2.0%	**1.9%**	2.1%	**2.0%**	-	-
Federal Funds Rate (Median)	2.4%	2.4%	3.1%	2.9%	3.0%	2.8%

Market Implied Expectations Drop for Fed Funds Rate at Year-End 2019



Source: Federal Reserve, Bloomberg as of 12/31/2018.

2019 Year-to-Date: The S&P 500 Has Recouped Most of Its 2018 Losses



Source: Bloomberg, as of 03/04/2019.

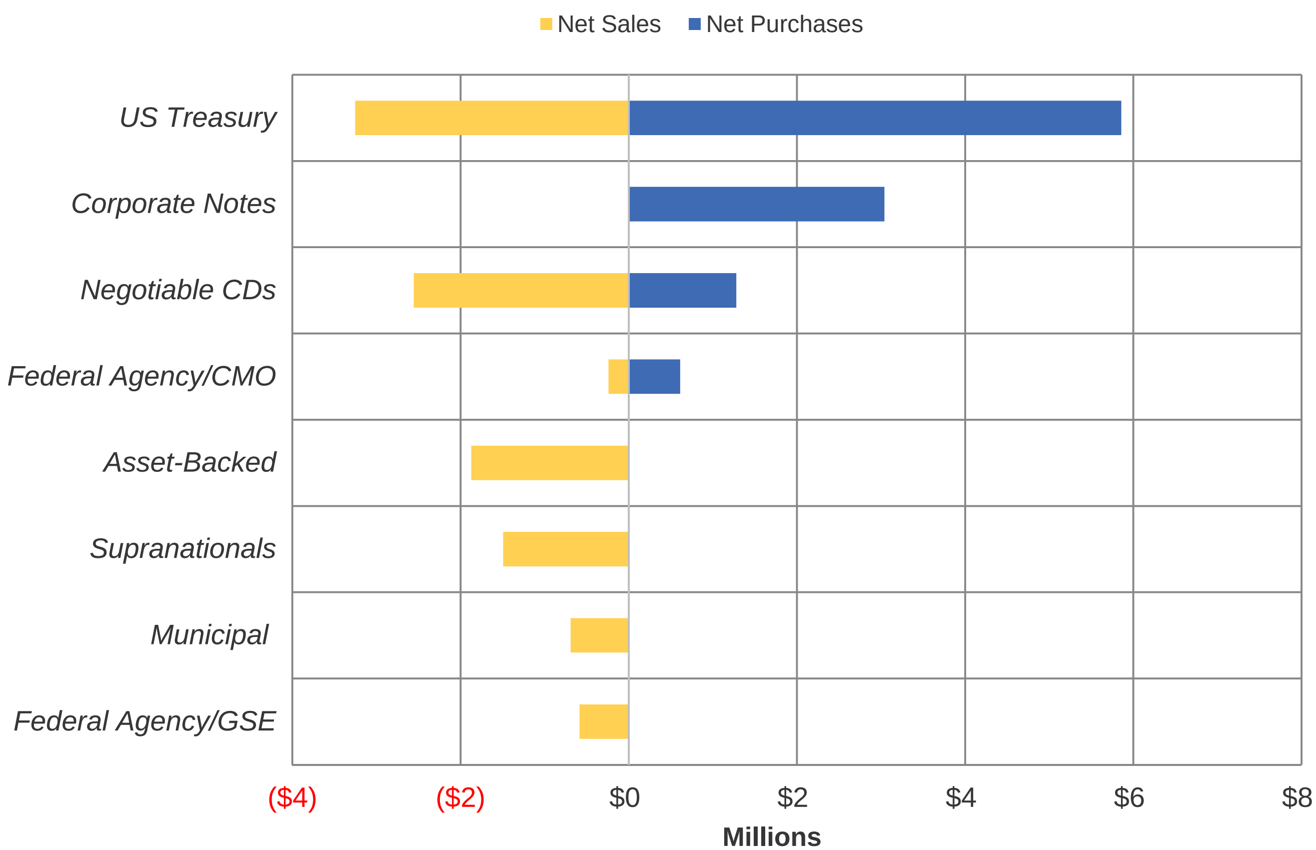
Portfolio Complies with Government Code and the Authority's Investment Policy

Security Type	Market Value as of 12/31/18	% of Portfolio	% Change vs. 9/30/18	Permitted by Policy	In Compliance
U.S. Treasury	$46,363,091	36.1%	+2.3%	100%	✓
Federal Agency	$6,005,256	4.7%	-0.4%	100%	✓
Federal Agency CMOs	$2,079,757	1.6%	+0.3%	100%	✓
Municipal Obligations	$729,358	0.6%	-0.5%	100%	✓
Supranationals	$7,715,811	6.0%	-1.2%	20%	✓
Negotiable CDs	$19,418,368	15.1%	-1.1%	30%	✓
Corporate Notes	$32,340,916	25.2%	+2.2%	30%	✓
Asset-Backed Securities	$13,617,096	10.6%	-1.5%	20%	✓
Securities Sub-Total	**$128,269,652**	**100.0%**			
Accrued Interest	$613,868				
Total Investments	**$128,883,520**	**100.0%**			

Market values, excluding accrued interest. Detail may not add to total due to rounding. Securities held in the Authority's portfolio are in compliance with California Government Code and the Authority's investment policy dated November 2018.

Summary of Trade Activity During the Quarter

- We purchased a total of $10.8 million of securities with an average weighted yield of 3.08%.



Net Activity (in millions)
+$2.6
+$3.0
-$1.3
+$0.4
-$1.9
-$1.5
-$0.7
-$0.6
+$0.1

Portfolio Issuer Distribution

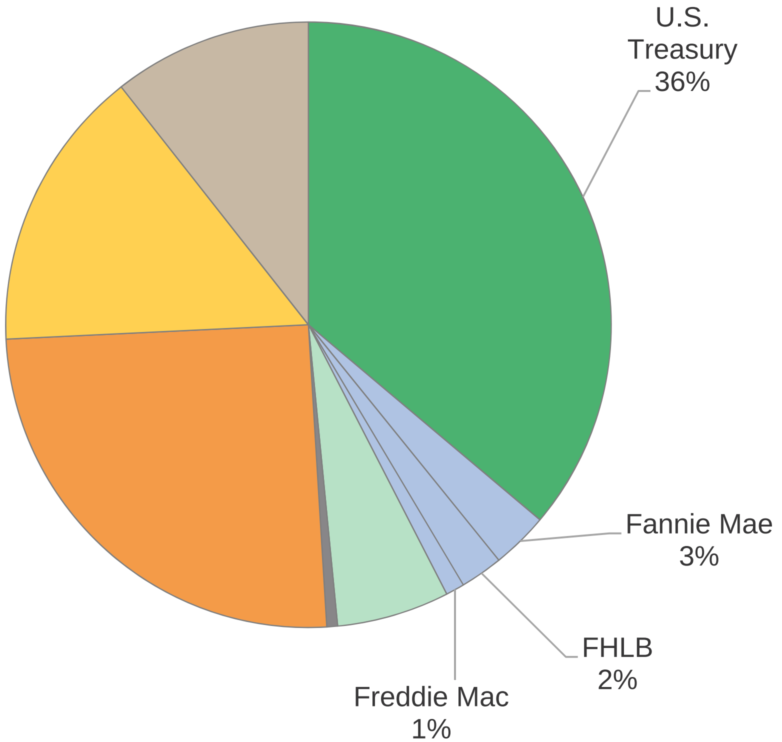
ABS Issuers 11%	
Ally	2%
Citibank	2%
Ford	1%
Honda	1%
Toyota	1%
Nissan	1%
Mercedes-Benz	1%
Hyundai	<1%
General Motors	<1%
John Deere	<1%
AMEX	<1%

CD Issuers 15%	
Bank of Nova Scotia (Houston)	2%
Sumito Mitsui Bank NY	2%
Nordea Bank (NY)	2%
Skandinaviska Enskilda (NY)	2%
Swedbank NY	2%
Royal Bank of Canada NY	2%
Canadian Imperial Bank (NY)	2%
Westpac Banking Corp	1%
Credit Suisse (NY)	1%

Municipal Issuers 1%	
State of California	1%

Supranational Issuers 6%	
IBRD	4%
IADB	2%

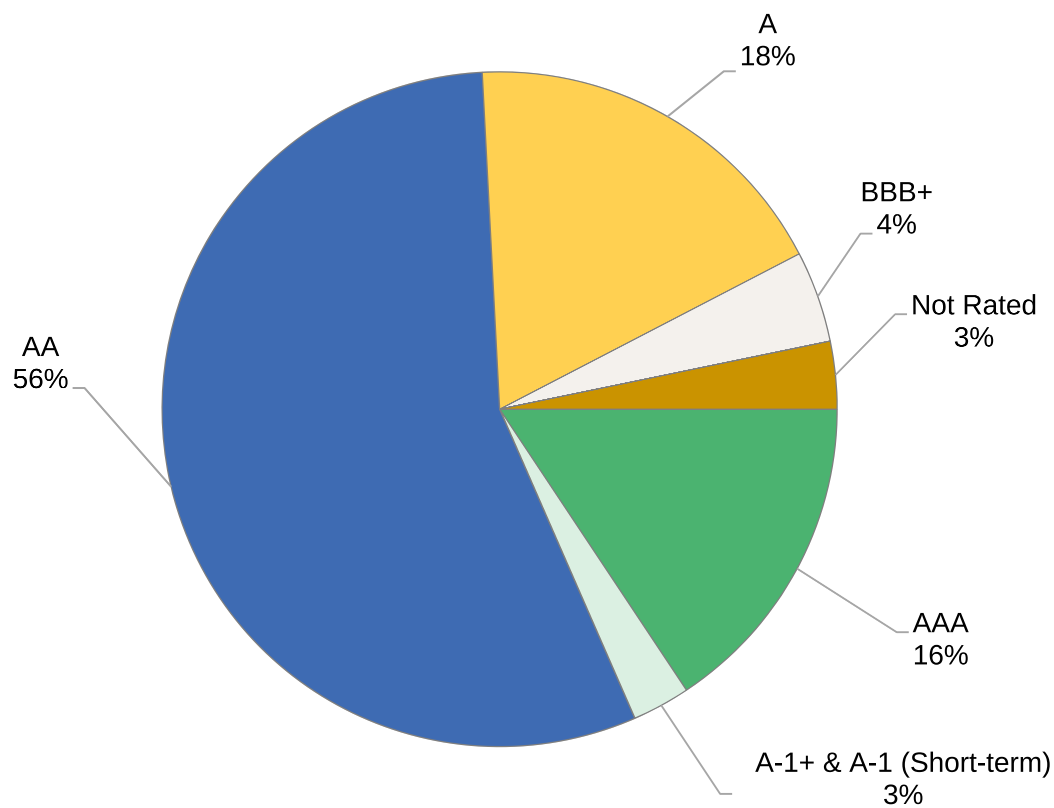
Corporate Issuers 25%	
Wal-Mart	2%
JP Morgan Chase	2%
Wells Fargo	2%
Microsoft	1%
General Electric CC	1%
Toyota	1%
Morgan Stanley	1%
Apple	1%
Bank of America	1%
Citigroup	1%
IBM	1%
Goldman Sachs	1%
PepsiCo	1%
Bank of New York	1%
Johnson & Johnson	1%
Caterpillar	1%
Oracle	1%
Verizon	<1%
Walt Disney	<1%
United Parcel Service Corp	<1%
Blackrock Inc.	<1%
American Express	<1%
Branch Banking & Trust	<1%
Comcast Corp	<1%
PNC Bank NA	<1%
Home Depot	<1%
State Street	<1%
John Deere Capital Notes	<1%
Texas Instruments	<1%



Detail may not add to total due to rounding. As of December 31, 2018.

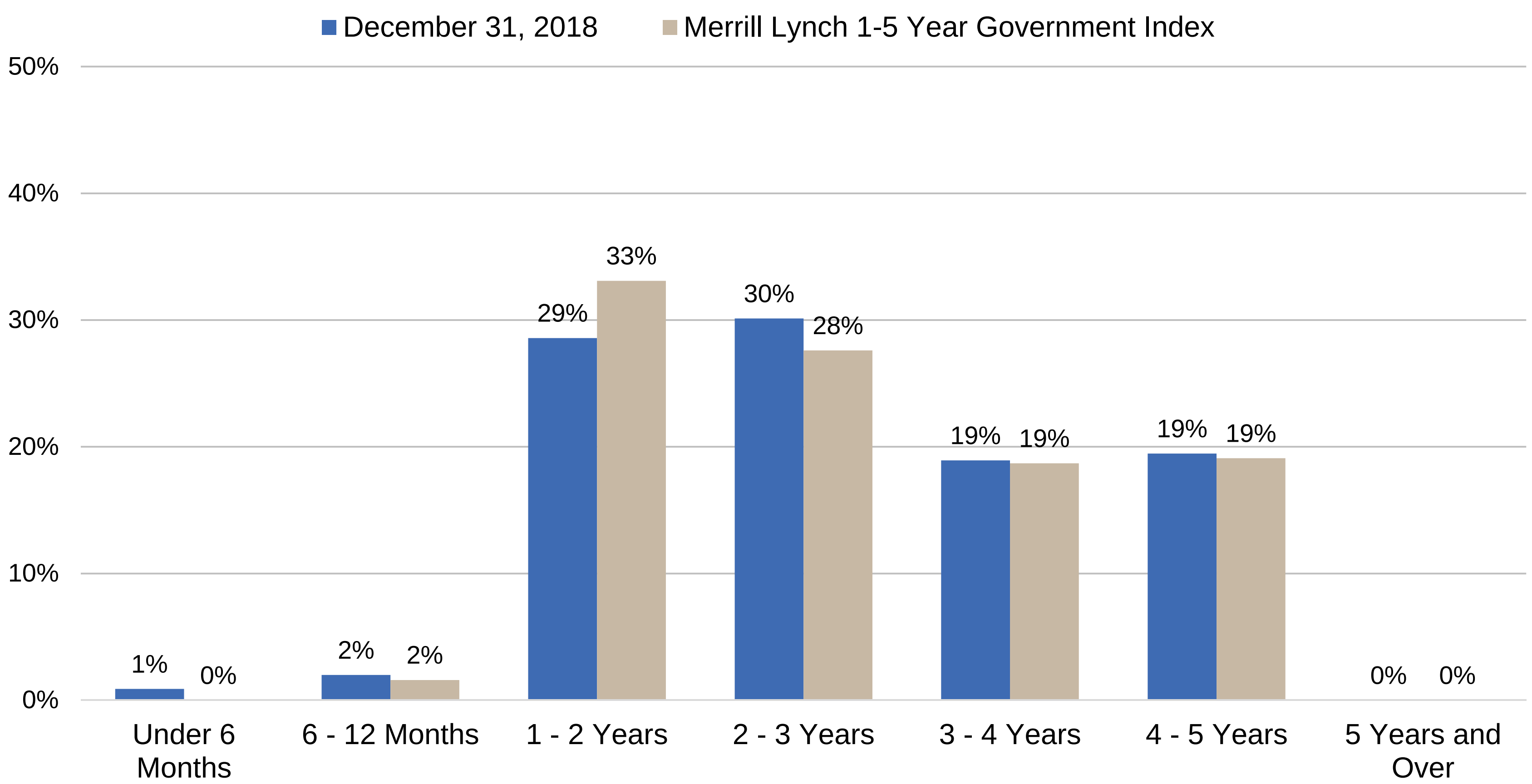
Portfolio Credit Quality

- The average credit quality of the portfolio was AA.



Ratings by Standard & Poor's.
Detail may not add to total due to rounding.
Securities held in the Authority's portfolio are in compliance with California Government Code and the Authority's investment policy dated November 2018.

Portfolio Maturity Distribution



Detail may not add to total due to rounding.
Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
ICE BofAML Indices provided by Bloomberg Financial Markets.
Excludes short-term operating funds portfolio.

Total Return: Combined Portfolios

- The portfolio has outperformed the benchmark by an annual average of 0.32% since inception.

Total Return
Period ending December 31, 2018

	Duration (years)	Past Quarter	Past Year	Past 3 Years	Past 5 Years	Since Inception
ACWA JPIA	2.34	**1.38%**	**1.54%**	**1.37%**	**1.33%**	**1.70%**
ICE BofAML 1-5 Year U.S. Government Index	2.54	1.71%	1.53%	1.09%	1.10%	1.38%

Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
ICE BofAML Indices provided by Bloomberg Financial Markets.
Performance numbers for periods one year and greater are presented on an annualized basis.
As of December 31, 2018, performance and duration numbers are for the combined JPIA and Employee Benefits portfolios.
Inception date for performance is December 31, 2008.

Earnings: Combined Portfolios

	Earnings 12-Months Ending 12/31/18	
	Market Value Basis	Amortized Cost Basis
Beginning Value (12/31/17)	$127,183,927	$128,408,733
Net Purchases/Sales	$1,827,745	$1,827,745
Change in Value	($742,020)	($761,160)
Ending Value (12/31/18)	$128,269,652	$129,475,317
Interest Earned	$2,699,917	$2,699,917
Portfolio Earnings	**$1,957,897**	**$1,938,757**

Detail may not add to total due to rounding. Earnings are for the combined JPIA and Employee Benefits portfolios.

First Quarter 2019 Outlook

Economic Outlook

- U.S. economic growth to slow.
- Re-synchronized global growth at a lower level.
- Most central banks remain accommodative.
- Stable corporate fundamentals will benefit fixed income securities.
- Modest inflation will continue.
- Data-dependent Fed adjusts its guidance.

Strategy Implications

- The path of future Fed rate hikes is less clear than in recent years, As a result, we will seek to increase portfolio durations to be more in line with (neutral to) the benchmark.
- Federal agency spreads (incremental yield) remain very narrow. As a result, we will seek better relative value in either Treasuries or other sectors.
- The significant sell-off in the corporate sector (resulting in wider spreads) in the fourth quarter presents an opportunity to selectively add to the sector. We prefer high-quality, defensive issuers.
- Allocations to AAA-rated Asset-Backed Securities (ABS) will be maintained.
- Short-term negotiable bank certificates of deposit and commercial paper have since normalized following very narrow yield differences at year-end, and once again provide an attractive, high-quality source of incremental income.
- We will continue to closely monitor market conditions and we will make adjustments to our strategy as warranted.

Disclosures

- This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some, but not all of which, are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.
  - Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield based matrix system to arrive at an estimated market value.
  - In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
  - Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
  - ICE BofAML Indices provided by Bloomberg Financial Markets.
  - Money market fund/cash balances are included in performance and duration computations.
  - Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
  - Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
  - MBS maturities are represented by expected average life.

ACWA JPIA
Captive Insurance Company update
March 21, 2019

BACKGROUND
At the November 26, 2018 meeting, the Board of Directors approved JPIA staff to proceed with forming a Captive Insurance Company.

CURRENT SITUATION
Staff will provide an update at the meeting.

RECOMMENDATION
None, informational only.

Prepared by: Walter “Andy” Sells, CEO

Date prepared: March 12, 2019

JPIA MEETING & CONFERENCE CALENDAR – 2019

Meeting Dates	Board of Directors	Executive	Personnel	Finance & Audit	Programs				Risk Mgmt
					Emp. Benefits	Liability	Property	Work Comp	
Jan 16			10:00 AM Ontario						
Jan 29		8:30 AM							
Mar 20				1:00 PM					10:00 AM
Mar 21		8:30 AM							
May 6	1:30 PM	10:30 AM					8:00 AM	9:15 AM	
ACWA Conference May 7 to 10 – Monterey									
May 30			12:00 PM Ontario						
June 4		8:30 AM							
June 24		1:00 PM			9:00 AM				
Sept 9		1:00 PM		10:15 AM		8:30 AM			
CAJPA Conference September 10 to 13 – South Lake Tahoe CA									
Nov 5		8:30 AM							
Dec 2	1:30 PM	10:30 AM							
ACWA Conference December 3 to December 6 – San Diego									

Date Prepared: 3/5/19