

Finance & Audit Committee Meeting



YOUR BEST PROTECTION

JPIA Executive Conference Room
2100 Professional Drive
Roseville, CA 95661

Thursday
May 14, 2020
10:00 A.M.

Chairman: Kevin Phillips, Paradise Irrigation District

Vice-chair: Carrie Guarino, Cucamonga Valley Water District

Marlene Kelleher, Vista Irrigation District

Suha Kilic, Pebble Beach Community Services District

Louis Jarvis, Glenn-Colusa Irrigation District

Steve Ruettgers, Kern County Water Agency

Jim Smith, Wheeler Ridge-Maricopa Water Storage District



YOUR BEST PROTECTION

FINANCE & AUDIT COMMITTEE MEETING

AGENDA

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

Thursday, May 14, 2020 10:00 p.m.

Zoom meeting #: 661-516-2566; password: 1234

This meeting shall consist of a simultaneous Zoom meeting at various sites.

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.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

<u>Presenter</u>		<u>Page#</u>
Phillips	I. * Approve the minutes of the meeting of December 02, 2019.	1
All	II. Report on meetings attended on behalf of the JPIA.	
deBernardi	III. * Review and make recommendation on Comprehensive Annual Financial Report for year ended September 30, 2019.	6
deBernardi	IV. * Review and make recommendation on the Proposed Operating Budget for Fiscal Year 2020-21.	84
Sells	V. * Update on Captive.	88
Phillips	VI. * Announce next meeting date: August 24, 2020.	89

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: Bobbette Wells, Executive Assistant, 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 and 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 ACWA 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.



Unapproved Minutes

Finance & Audit Committee Meeting

Manchester Grand Hyatt
1 Market Place
San Diego, CA 92101

December 2, 2019

MEMBERS PRESENT

Chairman: Kevin Phillips, Paradise Irrigation District
Vice-chair: Carrie Corder-Guarino, Cucamonga Valley Water District
 Marlene Kelleher, Vista Irrigation District
 Dennis Michum, Glenn-Colusa Irrigation District
 Steve Ruetters, Kern County Water Agency
 Jim Smith, Wheeler Ridge-Maricopa Water Storage District

MEMBERS ABSENT

Suha Kilic, Pebble Beach Community Services District

STAFF PRESENT

See attendance list.

OTHERS IN ATTENDANCE

See attendance list.

WELCOME/INTRODUCTIONS

Chairman Phillips welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Phillips called the meeting to order at 8:31 a.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 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 September 9, 2019 meeting.

M/S/C (Guarino/Smith) (Corder-Guarino-Yes; Kelleher-Yes; Michum-Yes; Phillips-Yes; Ruettgers-Yes; Smith-Yes): That the Finance & Audit Committee approve the minutes of the September 9, 2019 meeting.

MEETINGS ATTENDED ON BEHALF OF THE JPIA

None reported.

ACTUARY REPORT

Mujtaba Datto and Tracy Fleck, from Aon, presented an actuarial overview of the Liability, Property, and Workers' Compensation Programs. The discussion touched upon the outstanding liabilities for the Liability, Property, and Workers' Compensation Programs as of September 30, 2019, projected losses for the upcoming fiscal year, and a historical perspective.

CALIFORNIA WATER INSURANCE FUND INVESTMENT POLICY STATEMENT

Mr. deBernardi stated that at the October 28, 2019 Captive Board meeting, the California Water Insurance Fund (CWIF) Investment Policy Statement was approved and sent to the Executive Committee for review on November 5, 2019. The Investment Policy was presented for the Finance & Audit Committee to review. The earnings target for the CWIF Investment Policy is 7% over a 20-year period. There was much discussion about the policy, with overall positive feedback.

CAPTIVE UPDATE

Mr. Sells reported that since the last Finance & Audit Committee meeting, the following has transpired with the Captive:

- CWIF Received Certificate of Authority from State of Utah effective October 1, 2019.
- JPIA ceded approximately \$16 million of projected losses for the 10/1/19-20 Liability Program year to the CWIF effective October 1, 2019.

- CWIF developed and approved Investment Policy Statement on October 28, 2019.
- Implementation of the CWIF Investment policy is expected to begin after January 1, 2020.

AUDIT UPDATE

Ms. Sutton explained that each year the JPIA's annual financial statements are audited by an outside firm. The JPIA's current auditor is Gilbert Associates. The JPIA has incorporated technology from the auditor to electronically prepare for the review. All requested documents are sent to the auditors prior to their arrival on site. The auditors can then spend their time reviewing any questions they may have and finalizing the audit. This year's audit went smoothly and the field work was finished ahead of schedule.

MISCELLANEOUS

Future Agenda Items

None stated.

Availability for Upcoming Meeting

The next scheduled Finance & Audit Committee meeting is March 16, 2020 at 10:00 a.m. in the JPIA's Roseville office.

The Finance & Audit Committee meeting adjourned at 9:49 a.m.

ATTENDEES & JPIA STAFF IN ATTENDANCE – DECEMBER 2, 2019

<u>District / Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Position</u>
ACWA	David	Eggerton	Executive Director
ACWA	Tiffany	Giammona	Director of Member Outreach
ACWA JPIA	Chimene	Camacho	HR Coordinator
ACWA JPIA	David	deBernardi	Director of Finance
ACWA JPIA	Robert	Greenfield	General Counsel
ACWA JPIA	Peter	Kuchinsky	Lead Risk Control Advisor
ACWA JPIA	Ethan	Larson	Administrative Assistant I
ACWA JPIA	Sylvia	Robinson	Publications & Web Editor
ACWA JPIA	Andy	Sells	Chief Executive Officer
ACWA JPIA	Patricia	Slaven	Director of HR/Admin.
ACWA JPIA	Sandra	Smith	Employee Benefits Manager
ACWA JPIA	Dianna	Sutton	Finance Manager
ACWA JPIA	Karen	Thesing	Director of Insurance Services
ACWA JPIA	Bobbette	Wells	Executive Assistant to the CEO
Alameda County Water District	John	Weed	Director
Alta Irrigation District	Marc	Limas	Alternate Director
Antelope Valley-East Kern Water Agency	Patti	Rose	Human Resources
Bay Area Water S&C Agency	Tom	Franch	Water Resources Mgr.
Calleguas Municipal Water District	Scott	Quady	Director
Calleguas Municipal Water District	Thomas	Slosson	Alt. Director
Central Basin Municipal Water District	Phil	Hawkins	Director
Contra Costa Water District	Bette	Boatmun	Director
Crescenta Valley Water District	Judy	Tejeda	Director
Cucamonga Valley Water District	Carrie	Guarino	Asst. General Manager
Cucamonga Valley Water District	Kathy	Tiegs	Director
El Dorado Irrigation District	Michael	Raffety	Director
Elsinore Valley Municipal Water District	Phil	Williams	Director
Fresno Metropolitan Flood Control District	Ken	Groom	Director
Fresno Metropolitan Flood Control District	Alan	Hoffman	General Manager
Friant Power Authority	Carl	Janzen	Director
Glenn-Colusa Irrigation District	Dennis	Michum	Finance Director
Helix Water District	Susan	Doubrova	Safety/Risk Administrator
Helix Water District	Daniel	McMillan	Director
Humboldt Bay Municipal Water District	John	Friedenbach	General Manager
Humboldt Bay Municipal Water District	Bruce	Rupp	Director
Irvine Ranch Water District	Steve	LaMar	ACWA VP
La Habra Heights County Water District	Pam	McVicar	Director
Madera Irrigation District	Carl	Janzen	Director
Madera-Chowchilla Water & Power Authority	Carl	Janzen	Director
Main San Gabriel Basin Watermaster	Dan	Arrighi	Director
Mesa Water District	Fred	Bockmiller	Director
Mid-Peninsula Water District	Tammy	Rudock	General Manager
North Coast Water District	Jack	Burgett	Director
Orchard Dale Water District	Dennis	Azevedo	Director
Orchard Dale Water District	Ed	Castaneda	General Manager
Palmdale Water District	Vincent	Dino	Director

<u>District / Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Position</u>
Palmdale Water District	Dennis	LaMoreaux	General Manager
Palmdale Water District	Kathy	MacLaren	JPIA Director
Palmdale Water District	Don	Wilson	Director
Pasadena Water & Power	Mitch	Dion	Asst. General Manager
Rancho California Water District	Eileen	Dienzo	Human Resources
Rancho California Water District	Tom	Marcoux	Safety & Risk Officer
Rancho California Water District	Eva	Plajzer	Asst. General Manager
Rancho California Water District	Bill	Plummer	Director
Rincon del Diablo Water District	David	Drake	Director
Rowland Water District	Tom	Coleman	General Manager
Rowland Water District	Robert	Lewis	Director
Sacramento Suburban Water District	Kathleen	McPherson	Director
Sacramento Suburban Water District	Dan	York	General Manager
San Bernardino Valley Municipal Water District	June	Hayes	Director
San Bernardino Valley Water Conservation District	Melody	McDonald	JPIA Director
Santa Clarita Valley GSA	Gary	Martin	Director
Santa Clarita Valley Water Agency	Jerry	Gladbach	Director
Santa Clarita Valley Water Agency	Gary	Martin	Director
Santa Margarita Water District	Saundra	Jacobs	Director
Serrano Water District	Greg	Mills	Director
Solano Irrigation District	Cary	Keaten	General Manager
South San Joaquin Irrigation District	John	Holbrook	Alternate Director
South Sutter Water District	Thomas	Cuquet	Director
Three Valleys Municipal Water District	Brian	Bowcock	Director
Three Valleys Municipal Water District	Bob	Kuhn	Alternate Director
Tulare Irrigation District	Kathi	Artis	Controller
Upper San Gabriel Valley Municipal Water District	Alfonso	Contreras	Director
Valley County Water District	Lenet	Pacheco	Director
Vista Irrigation District	Paul	Dorey	Director
Westborough Water District	Tom	Chambers	Director
Western Municipal Water District	Al	Lopez	Director
Wheeler Ridge-Maricopa Water Storage District	Jim	Smith	Controller
Yuba Water Agency	Terri	Daly	Administration Manager
Yuba Water Agency	Randy	Fletcher	Director
Yuba Water Agency	Brent	Hastey	JPIA Director
Yuba Water Agency	Andy	Vasquez	Director
Zone 7 Water District	Sarah	Palmer	Director

ACWA JPIA
Audited Financial Statements
Year Ended September 30, 2019
May 14, 2020

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, 2018 through September 30, 2019.

CURRENT SITUATION

The JPIA received an unmodified opinion. The opinion states that the financial statements present fairly, in all material respects, the financial position of ACWA JPIA as of September 30, 2019, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

RECOMMENDATION

That the Finance & Audit Committee recommends that the Executive Committee approve the 2018/19 Audited Financial Statements, as presented, and submit for final approval by the Board of Directors at their next meeting.



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2019**

**Presented by
THE ACWA JPIA FINANCE DEPARTMENT**

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

Year Ended September 30, 2019

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INTRODUCTORY SECTION



February 13, 2020

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, 2019, 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 CPAs, 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, 2019, 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, 2019 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, 2019, the JPIA had 394 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 steadied its improvement. From October 2018 through September 2019, the national unemployment rate declined from 3.7% to 3.5%. This puts the U.S. at a 19-year low. Meanwhile in the State of California, the unemployment rate went from 4.1 % in September 2018 to 4.0% at the end of September 2019. 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 4.5% by the end of 2019. In the City of Roseville, where the JPIA office resides, the unemployment rate has moved from 2.8% in September 2018 to 2.6% in September 2019. 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 2019. 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, 2019 without any rate increases to its members in the Liability, Property, Workers' Compensation Programs or self-insured Employee Benefits 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 just over \$20 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 were the main discussion point. A strategic planning session is planned for early 2020.

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 using the ultimate losses estimated by the actuary for all open policy years using a 99% confidence level as a guide. The Catastrophic Fund goals are \$25 million for the Liability Program and \$15 million for the Workers' Compensation Program.

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 Officers 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, 2018. 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

Walt A. Sells

Walter "Andy" Sells
Chief Executive Officer

X

David deBernardi

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, 2019**

EXECUTIVE COMMITTEE

<u>Name</u>	<u>Office</u>	<u>District</u>
E.G. "Jerry" Gladbach	President	Castaic Lake Water Agency
Thomas A. Cuquet	Vice-President	South Sutter Water District
Fred Bockmiller	Director	Mesa Water District
David A. Drake	Director	Rincon del Diablo MWD
Brent Hastey	Director	Yuba Water Agency
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 WD
Walter "Andy" Sells	Chief Executive Officer	ACWA JPIA

Office Address

2100 Professional Drive
Roseville, California 95661

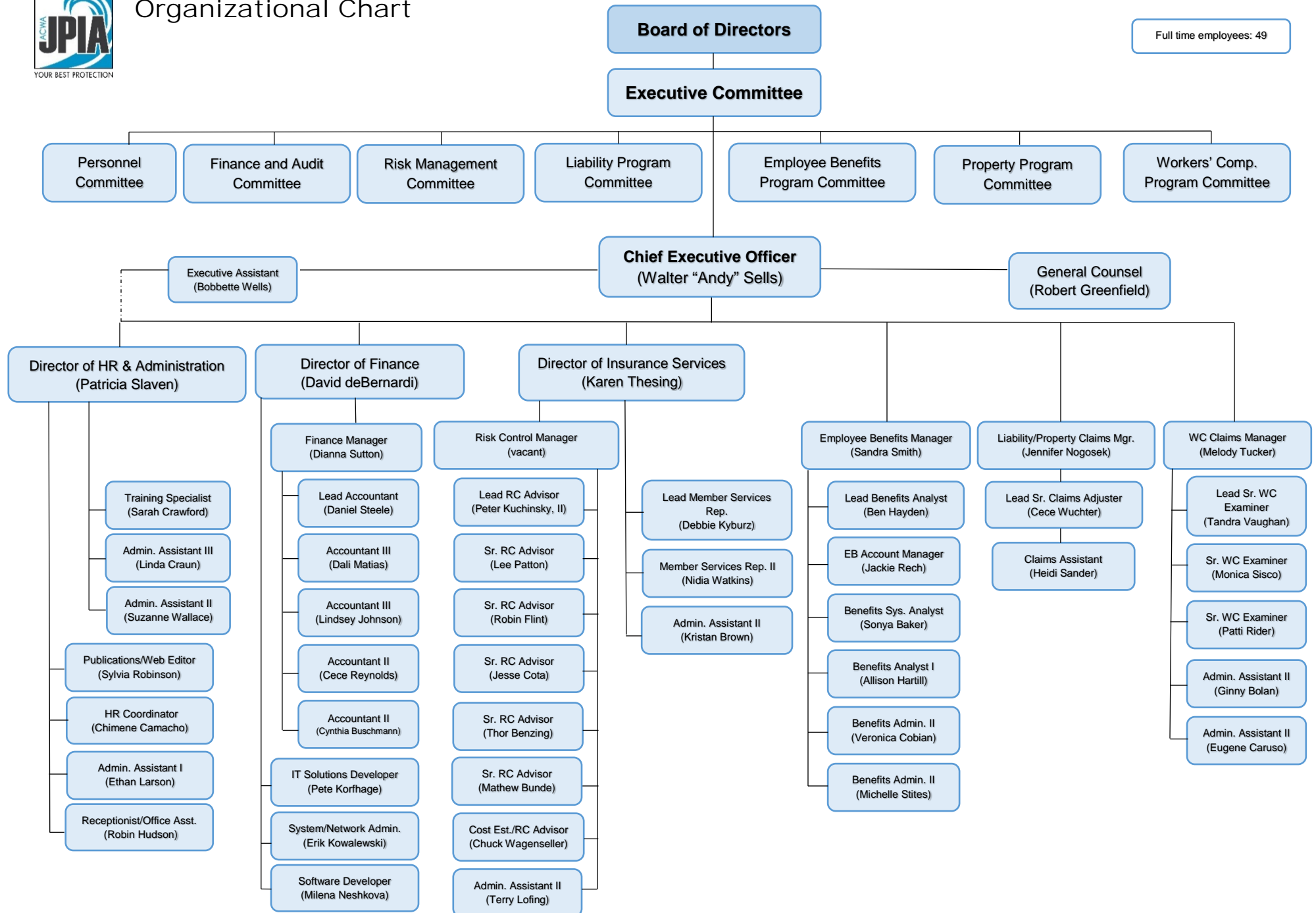
Report Prepared by the
JPIA Finance Department

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



Organizational Chart

Full time employees: 49





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, 2018

Christopher P. Morrell

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

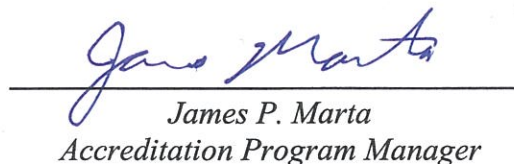
having fulfilled the conditions of eligibility as prescribed by the Association for Accreditation.



Accreditation Period: May 19, 2018 to May 19, 2021


 David Clovis
 President


 Michael Fleming
 Chairman, Accreditation Committee


 James P. Marta
 Accreditation Program Manager

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) as of and for the year ended September 30, 2019, 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, 2019, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and 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, 2019 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, 2019 basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Month XX, 2020, 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 CPAs
Sacramento, California**

Month XX, 2020



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, 2019. 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, 2019. 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 often presented alongside current year information for analysis of changes from the prior year. In the following comparative tables, 2018 balances are presented as originally reported in the financial statements.

CONDENSED STATEMENTS OF NET POSITION			
	9/30/2019	9/30/2018	Variance
ASSETS			
Other Assets	\$207,560,817	\$183,702,636	\$23,858,181
Capital Assets	4,539,034	4,641,581	(102,547)
Total Assets	212,099,851	188,344,217	23,755,634
DEFERRED OUTFLOWS			
Related to Pensions	480,729	1,063,032	(582,303)
Related to OPEB	73,061	35,283	37,778
Total Deferred Outflows	553,790	1,098,315	(544,525)
LIABILITIES			
Current Liabilities	49,702,296	44,238,468	5,463,828
Noncurrent Liabilities	62,344,624	56,582,233	5,762,391
Total Liabilities	112,046,920	100,820,701	11,226,219
DEFERRED INFLOWS			
Related to Pensions	1,070,024	2,117,303	(1,047,279)
Related to OPEB	602,195	38,924	563,271
Total Deferred Inflows	1,672,219	2,156,227	(484,008)
NET POSITION			
Net Investment in Capital Assets	4,539,034	4,641,581	(102,547)
Unrestricted	94,395,468	81,824,023	12,571,445
TOTAL NET POSITION	\$98,934,502	\$86,465,604	\$12,468,898

Overall, there are three significant variances reported on the 2019 Statement of Net Position, and the first can be found within Other Assets. Much of this \$24 million difference from year to year can be attributed to a \$21 million increase in cash and investments. About \$14.7 million of this increase resides within operational banking balances, California Asset Management Program (CAMP), and Local Area Investment Fund (LAIF). These funds are used to ensure liquidity needs for the JPIA and are accessible within twenty-four hours if the need arises for large payments, such as settlements or large excess carrier payments.

Two key reasons explain the increase in cash and short-term investment resources. The Employee Benefits Program accounts for the majority of this increase, factoring in about \$2 million more in collected premiums in September of 2019 versus September of 2018. Sometimes, there are timing issues in regards to when member districts receive and pay their invoices.

The Employee Benefits department also worked diligently throughout the fiscal year to reconcile pharmacy credits and “true-up” amounts from Anthem and MedImpact (new Pharmacy Benefit Manager), adding an additional \$5 million in cash receipts. Premium increases also added about \$5 million due to additional medical coverage membership between the Anthem and Kaiser programs.

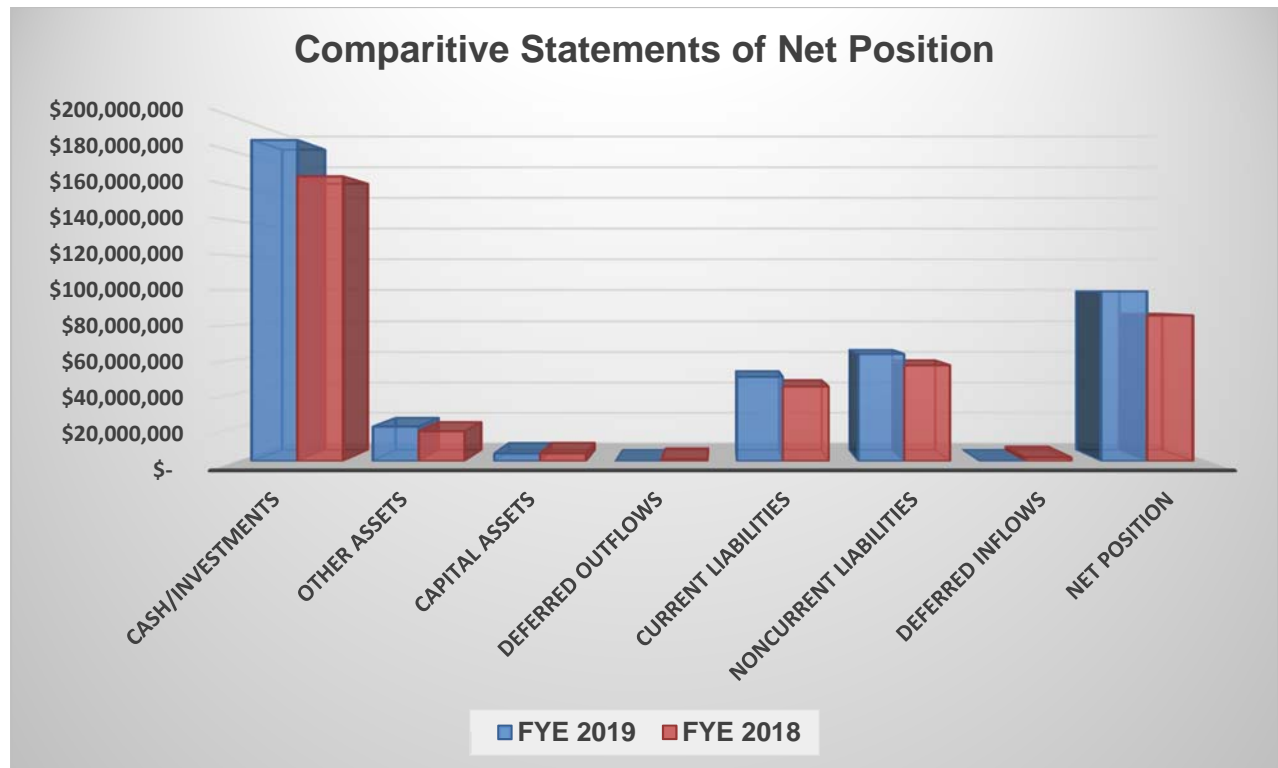
More cash was also received from the Property Program, as the JPIA covered almost 30% additional Total-Insured Value (TIV) in fiscal year 2019, adding about \$1.5 million in new premium for the policy year. More TIV increases risk, resulting in more possible claims to pay in future covered policy years.

Another factor boosting the reported cash and investments was the GASB 31 mark to market adjustment from 2018 to 2019, which added an additional \$4.4 million in investment income, a significant swing in the JPIA's favor. Fixed income portfolios benefited from rate changes throughout the 2019 year, so the fact that the fair market adjustment last year was a \$2 million reduction, the overall change added \$6.4 million in reported investment income.

The second key variance to note on the Statement of Net Position would be the change in liabilities, an upward swing of over \$12 million. Approximately \$6 million of this variance can be attributed to an increase in RPA Payables from 2018 to 2019. These amounts change as policy years develop. Any changes or updates to ultimate loss projections from the actuary can have significant impacts on these policy years, both positive and negative. Other variances affecting liabilities include an additional \$3.2 million in claims reserves and \$2.4 million in additional unearned premiums.

Finally, the last key variance on the Statement of Net Position can be found within the increase in Net Position itself. The majority of this \$12.7 million increase can be attributed to the Employee Benefits department performance. Large credits totaling approximately \$7 million were reconciled and paid back to the JPIA after working closely with Anthem officials. These credits were related to commercial and Employer Group Waiver Plan (EGWP) pharmacy incentives that helped reduce claim expenses from the end of 2018 through September 2019.

Because of the financial strength of the Employee Benefits Program, the fund reserve grew by over \$12 million and makes up the majority of the Unrestricted Net Position increase. As previous years have shown, the volatility of the program is such that \$12 million growth can easily revert to a loss in high-loss years. The JPIA prides itself on keeping pricing steady and stable, keeping members from having to endure large swings when budgeting for insurance needs.



The chart shown above 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 visualization of the JPIA financial position helps to highlight the importance of investment portfolio and short-term cash management strategies for risk pools in the industry, as the ability to have enough liquid assets to meet claim obligations is critical in measuring a pool's solvency.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
	9/30/2019	9/30/2018	Variance
OPERATING REVENUES			
Members Premiums	\$183,179,723	\$179,425,274	\$3,754,449
Retrospective Premium Adjustments	(9,532,430)	(3,380,970)	(6,151,460)
Total Operating Revenues	173,647,293	176,044,304	(2,397,011)
OPERATING EXPENSES			
Provision for Claims	91,269,072	90,427,479	841,593
Excess Insurance	10,265,427	8,271,113	1,994,314
Benefit Premiums	57,973,208	55,387,827	2,585,381
General & Administrative	9,848,539	11,109,880	(1,261,341)
Total Operating Expenses	169,356,246	165,196,299	4,159,947
OPERATING INCOME	4,291,047	10,848,005	(6,556,958)
NON-OPERATING REVENUES			
Investment Income	8,177,851	294,925	7,882,926
CHANGE IN NET POSITION	12,468,898	11,142,930	1,325,968
NET POSITION, BEGINNING	86,465,604	75,322,674	11,142,930
NET POSITION, ENDING	\$98,934,502	\$86,465,604	\$12,468,898

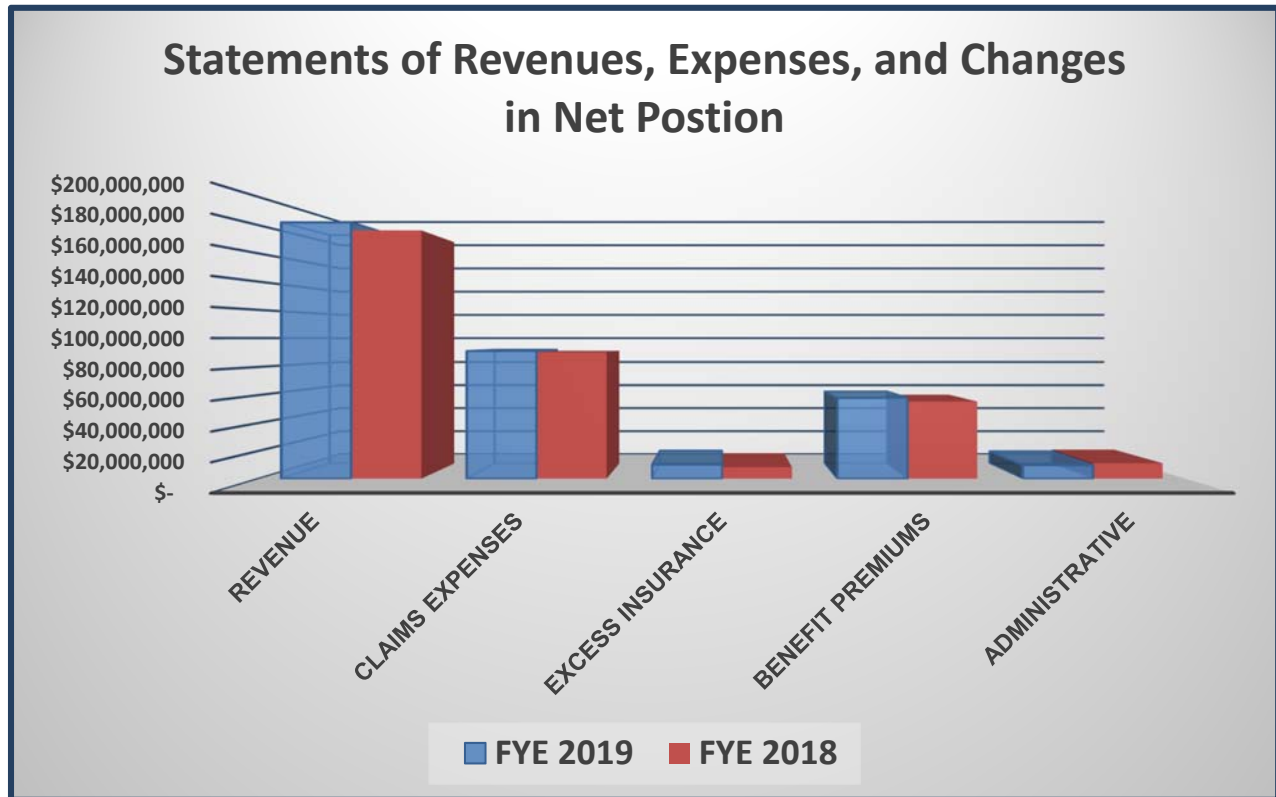
The 2019 fiscal year yielded an increase in billed member premiums by approximately \$3.8 million. Part of this increase is attributable to the increase in Property premiums as mentioned previously, as well as a boost in member participation in the Kaiser medical plan which provided an additional \$2.2 million in member premiums. Also, the JPIA introduced a new group energy plan July 1st to members with large hydroelectric facilities so that better coverage could be provided at a lower cost to the member district versus having to buy it outright on their own. This program added almost \$1 million in new premiums for 2019.

The JPIA endeavors to benefit its members with favorable retrospective premium adjustments offered four years after the ending 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 to assist with the implementation of best practices to reduce claims.

The \$6.2 million variance in Retrospective Premium Adjustments signifies the combined performance of all Liability, Property, and Workers Compensation policy years together for fiscal year 2019. A negative RPA (reduction in revenue) indicates a position of strength

for the pool, so the higher the RPA amount, the better the chance of refunds once those claim years reach four years fully developed.

The following chart compares the components of the Statements of Revenues, Expenses, and Changes in Net Position of 2019 to 2018 and highlights notable variances:

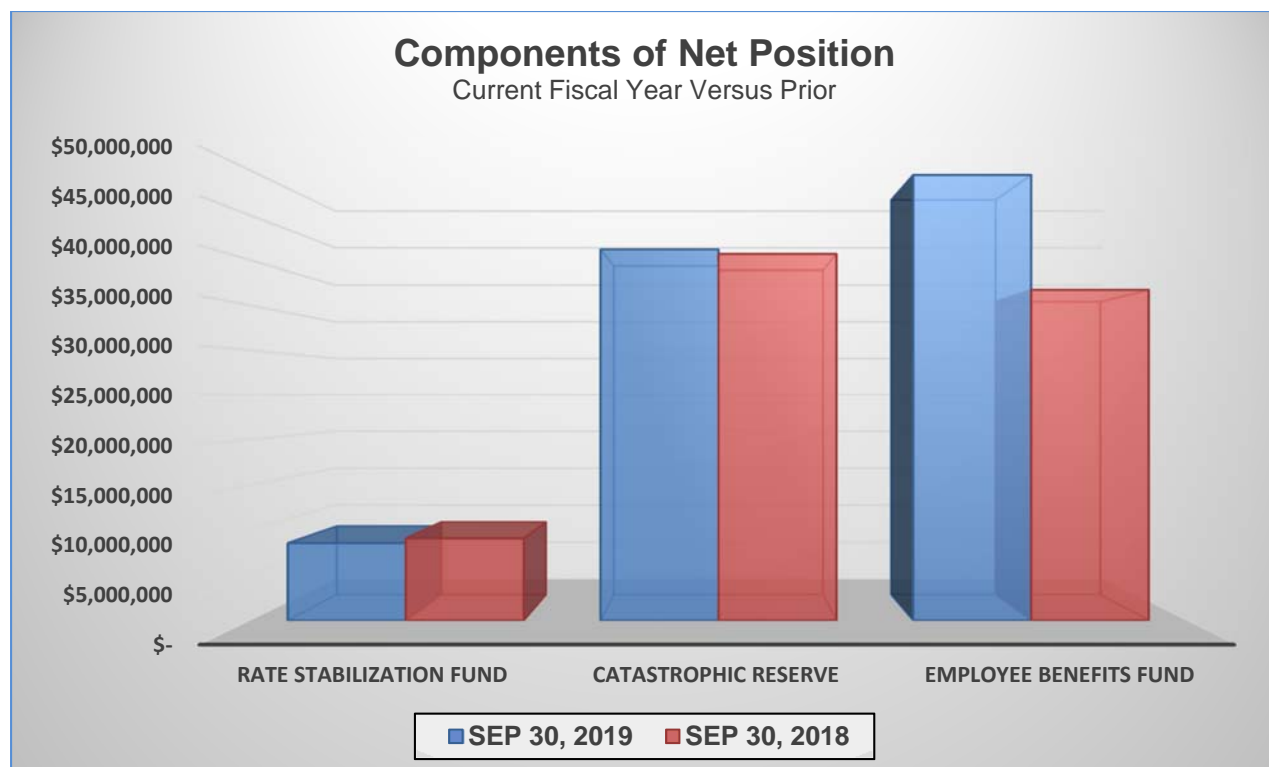


In spite of the healthy growth of the Employee Benefits Fund, the JPIA did have to endure rising medical excess insurance costs amid a very hard market, paying an additional \$670,000 to cover those large claims that exceed the \$500,000 stop-loss threshold. But increasing in popularity, the Employee Benefits Wellness Program introduced 11 new member participants, so it is apparent that more and more covered districts are attempting to implement claim-reducing measures while investing in the future health of its employees.

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 Components of Net Position graph (depicted above) illustrates the year to year changes in the three funds making up the JPIA's net position from 2018 to 2019 (Natural Disaster Fund included with Catastrophic Reserve). The Employee Benefits Fund includes equity that transitioned over from the Health Benefits Authority in 2012, and the annual financial performance of the department as a whole each year.

The Catastrophic Fund contributions totaled just over \$500,000 for the year. Contributions totaling \$250,000 were dedicated to the Property Program's Natural Disaster Fund.

The Rate Stabilization Fund net decrease of approximately \$500,000 included several notable 2019 adjustments. Refunds to member districts were awarded in the early part of 2019 in the amount of \$4.6 million. Retrospective premium adjustments for Liability, Property, and Workers' Compensation totaled close to \$5.6 million. Payroll and other adjustments totaled just over \$560,000.

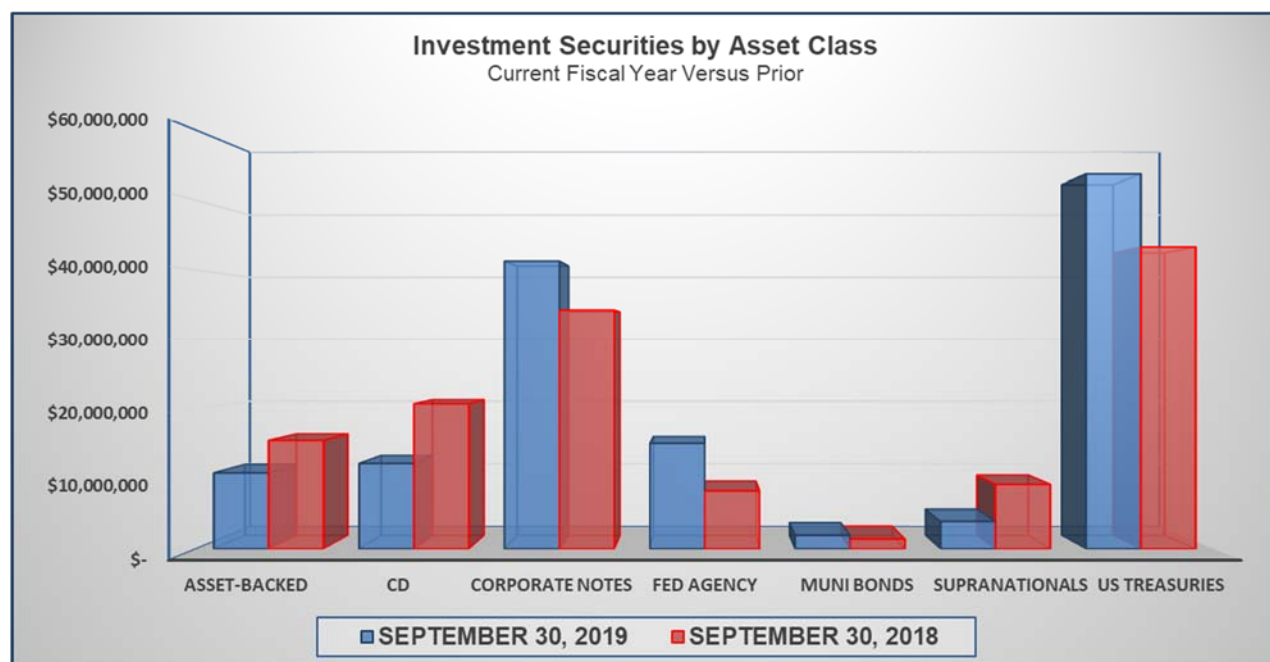
CASH AND INVESTMENTS

Cash and investments make up just under 90% of the JPIA's total assets. At year end September 30, 2019, total cash and investments totaled \$187 million (at fair value), a net increase of \$21 million from 2018 once the mark-to-market adjustment was applied. Falling interest rates bolstered fixed income portfolio values and an additional \$2,000,000 in principle grew the JPIA's investment portfolio. The mark-to-market provided an additional \$4.4 million net change from 2018.

Capitalizing on favorable 2-year Treasury yields throughout the fiscal year, the JPIA portfolio shifted more resources away from certificates of deposits and asset-backed securities to treasury securities (approximately \$10 million), many of which offered expected yields of 3.0% or better.

The JPIA finance team internally manages cash and cash equivalents to ensure liquidity needed for operations, claim demands, and other general costs. 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 following chart breaks down the current JPIA investment portfolio by asset class and compares the 2019 fiscal year end to that of September 30, 2018:



CAPITAL ASSET ACTIVITY

The 2019 fiscal year had no material activity in regards to acquiring capital assets. Depreciation expense for the period totaled \$218,147.

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

ACWA JPIA is consistently preparing and planning for the future success of its member pool. There are always moving parts in motion that could have a financial impact, some as early as the next fiscal year (2019-2020). The following items play a role in JPIA's ongoing commitment to excellence to its members. Here are a couple 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. The Camp Fire of November 2018 in Paradise, California had a profound impact, not only on JPIA members, their staff, but even employees of the JPIA as well. The risk management staff will take the lessons learned from this event and apply them to helping other covered members prepare for mitigating the risks that come with future California wildfires.
- **Captive Insurance Organization –** The JPIA Executive Committee voted to start a captive company called the California Water Insurance Fund (CWIF) and will go live October 1st, 2019. CWIF will be domiciled in the state of Utah and provide Liability coverage to the JPIA with the goal of reducing premiums relative to the current hard market conditions. Premiums received from JPIA can be invested in equity and/or fixed income securities that offer the possibility of higher rates of return that could provide the additional income needed to help reduce future excess costs to the JPIA pool members.

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**

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STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	2019	Memo only 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 48,381,197	\$ 33,612,610
Investments	11,339,320	12,021,651
Member premiums receivable	6,981,016	7,974,727
Investment income and other receivables	1,034,556	892,078
Excess insurance proceeds receivable	423,394	1,244,268
Retrospective premium adjustment receivable	2,419,023	1,690,141
Prepaid expenses	5,399,050	2,746,829
TOTAL CURRENT ASSETS	75,977,556	60,182,304
NONCURRENT ASSETS		
Investments	127,476,096	120,388,251
Retrospective premium adjustment receivable	2,191,785	1,295,502
Net OPEB asset	1,580,649	969,129
Net pension asset	334,731	867,450
Capital assets - net	4,539,034	4,641,581
TOTAL NONCURRENT ASSETS	136,122,295	128,161,913
TOTAL ASSETS	212,099,851	188,344,217
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	480,729	1,063,032
Deferred outflows of resources related to OPEB	73,061	35,283
TOTAL DEFERRED OUTFLOWS	553,790	1,098,315
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	2,151,847	1,945,110
Unearned member premiums	18,214,212	15,791,520
Retrospective premium adjustment payables	8,771,664	7,450,665
Provision for claims	20,564,573	19,051,173
TOTAL CURRENT LIABILITIES	49,702,296	44,238,468
NONCURRENT LIABILITIES		
Retrospective premium adjustment payables	21,522,471	17,724,704
Claims reserves	13,612,687	11,633,490
Claims incurred but not reported	24,283,966	24,349,874
Unallocated loss adjustment liability	2,925,500	2,874,165
TOTAL NONCURRENT LIABILITIES	62,344,624	56,582,233
TOTAL LIABILITIES	112,046,920	100,820,701
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	1,070,024	2,117,303
Deferred inflows of resources related to OPEB	602,195	38,924
TOTAL DEFERRED INFLOWS	1,672,219	2,156,227
NET POSITION		
Net investment in capital assets	4,539,034	4,641,581
Unrestricted	94,395,468	81,824,023
TOTAL NET POSITION	\$ 98,934,502	\$ 86,465,604

See accompanying notes to financial statements.

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

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2019

	2019	Memo only 2018
OPERATING REVENUES		
Member premiums	\$ 183,179,723	\$ 179,425,274
Retrospective premium adjustments	(9,532,430)	(3,380,970)
TOTAL OPERATING REVENUES	173,647,293	176,044,304
OPERATING EXPENSES		
Claims expense:		
Claims paid	87,791,048	93,668,326
Change in claims reserves	3,253,830	3,187,095
Change in claims incurred but not reported	172,859	(6,123,634)
Change in unallocated loss adjustment expense	51,335	(304,308)
Total claims expense	91,269,072	90,427,479
Excess insurance	10,265,427	8,271,113
Benefit premiums	57,973,208	55,387,827
General and administrative	9,630,392	10,865,359
Depreciation	218,147	244,521
TOTAL OPERATING EXPENSES	169,356,246	165,196,299
OPERATING INCOME	4,291,047	10,848,005
NONOPERATING REVENUES		
Investment income	3,738,316	2,564,448
Net increase (decrease) in investment fair value	4,439,535	(2,269,523)
TOTAL NONOPERATING REVENUES	8,177,851	294,925
CHANGE IN NET POSITION	12,468,898	11,142,930
NET POSITION, BEGINNING OF YEAR	86,465,604	75,322,674
NET POSITION, END OF YEAR	\$ 98,934,502	\$ 86,465,604

See accompanying notes to financial statements.

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

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STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

	2019	Memo only 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	\$ 183,523,519	\$ 177,109,886
Cash received from excess/aggregate insurance	9,523,858	3,138,510
Payments for claims	(87,791,048)	(93,668,326)
Payments for excess/aggregate claims	(8,628,990)	(3,906,644)
Payments for excess insurance	(11,414,245)	(8,271,113)
Payments for benefit premiums	(57,973,208)	(55,387,827)
Payments for billings & RPA fund	(4,491,522)	(6,823,818)
Payments to vendors	(2,539,302)	(3,845,665)
Payments to employees	(7,091,090)	(6,653,699)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>13,117,972</u>	<u>1,691,304</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(115,600)	(46,313)
NET CASH USED BY FINANCING ACTIVITIES	<u>(115,600)</u>	<u>(46,313)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,738,671	3,076,778
Purchase of investments	(75,552,001)	(63,131,885)
Proceeds from maturities of investments	73,579,545	60,973,954
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,766,215</u>	<u>918,847</u>
Increase in cash and cash equivalents	14,768,587	2,563,838
Cash and cash equivalents, beginning of year	33,612,610	31,048,772
Cash and cash equivalents, end of year	<u>\$ 48,381,197</u>	<u>\$ 33,612,610</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 4,291,047	\$ 10,848,005
Adjustments to net cash provided by operating activities:		
Depreciation of capital assets	218,147	244,521
Change in member premiums receivable	993,711	15,035,700
Change in excess insurance proceeds receivable	820,874	(1,043,492)
Change in retrospective premium adjustment receivable	(1,625,165)	(408,409)
Change in net pension asset	532,719	(1,417,732)
Change in net OPEB asset	(611,520)	1,313,886
Change in other receivables and prepaids	(2,794,699)	(1,280,098)
Changes in deferred outflows/inflows related to net pension and OPEB	60,517	886,711
Changes in payables and accrued expenses and other expenses	212,859	212,521
Change in unearned member premiums	2,422,692	(16,413,668)
Change in retrospective premium adjustment payables	5,118,766	(3,045,786)
Change in claims liabilities	3,478,024	(3,240,855)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 13,117,972</u>	<u>\$ 1,691,304</u>
NON CASH ITEMS		
Change in unrealized fair value of investments	\$ 4,439,535	\$ (2,269,523)

See accompanying notes to financial statements.

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

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**NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2019**

(1) General Information

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

The JPIA currently offers five joint protection programs:

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

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

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2019**

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

<u>Years</u>	<u>SIR Amount</u>
10/1/79 - 9/30/86	\$ 500,000
10/1/86 - 9/30/87	1,000,000
10/1/87 - 9/30/05	500,000
10/1/05 - 9/30/11	1,000,000
10/1/11 - 9/30/16	2,000,000
10/1/16 - 9/30/19	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:

<u>Years</u>	<u>SIR Amount</u>
1/1/83 - 3/31/85	Various
4/1/85 - 3/31/86	\$5,000
4/1/86 - 3/31/88	50,000
4/1/88 - 3/31/01	10,000
4/1/01 - 3/31/13	50,000
4/1/13 - 6/30/20*	100,000

Excess of: \$100,000 up to a total of \$100,000,000 coverage with various sub limits through Alliant Property Insurance Program (APIP).

*Policy Year: April 1 through June 30. In 2019, Property Program changed policy year format to better align with APIP recommended coverage schedule. Going forward, the Property Program policy year will be July 1 through June 30.

- 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

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

<u>Years</u>	<u>SIR Amount</u>
7/1/86 - 6/30/87	\$125,000
7/1/87 - 6/30/88	150,000
7/1/88 - 6/30/89	175,000
7/1/89 - 6/30/91	200,000
7/1/91 - 6/30/92	225,000
7/1/92 - 6/30/01*	250,000
7/1/01 - 6/30/02	350,000
7/1/02 - 6/30/03	650,000
7/1/03 - 6/30/20	2,000,000

Excess of: \$2,000,000 to statutory limits through Safety National 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, 2019. 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.

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

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

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

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

Claims Liabilities – The JPIA establishes liabilities for claims based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability and workers' compensation. Claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation is implicit in the calculation of estimated future claims costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

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

Member Premiums are calculated based upon each member district's respective payroll (or insured values for the Property Program) and loss history. For the Employee Benefits Program, premiums are calculated based upon approved rates by the ACWA JPIA Executive Committee.

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

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

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

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

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

Contributions made to the JPIA's pension 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.

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.

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

(3) Cash and Investments

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

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

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

** Purchases may not represent more than 10% of the outstanding paper of an issuing corporation.

Concentration of Credit Risk – Investments at September 30, 2019 in any one issuer, other than U.S. Treasury Securities, LAIF and LGIP, represent 5% or more of the total ACWA JPIA portfolio:

<u>Issuer</u>	<u>Investment Type</u>	<u>Market Value</u>
FNMA	Federal Agency	\$7,493,659

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, 2019 are as follows:

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Authorized Investment Type	Market Value	Effective Duration
U.S. Treasury Obligations	\$53,713,211	3.056
Federal Agency Securities	11,448,649	3.400
Federal Mortgage Backed Securities	3,585,826	1.449
Medium-Term Notes	36,263,426	2.333
Asset-Backed Securities/CMOs	8,110,586	1.747
Asset-Backed Securities/Coupon	2,669,504	3.141
Negotiable Certificates of Deposit	12,132,691	1.583
Commercial Paper	5,000,000	0.000
Municipal Bonds	1,956,342	2.865
Supranationals	3,935,181	1.341

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

<u>Authorized Investment</u>	<u>Amount</u>	<u>Aaa/P-1</u>	<u>Aa (1-3)</u>	<u>A (1-3)</u>	<u>Baa**</u>	<u>Not Rated</u>
September 30, 2019						
Cash	\$ 200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200
Deposits with Financial Institutions	14,085,854					14,085,854
Asset-Backed Securities	10,780,090	7,273,369				3,506,721
Negotiable Certificates of Deposit	12,132,691		9,503,153	2,629,538		
LGIP (Managed Pool Account)*	24,804,825					24,804,825
LAIF	9,490,318					9,490,318
U.S. Treasury Obligations	53,713,211	53,713,211				
Federal Agency Securities	11,448,649	11,448,649				
Federal Mortgage-Backed Secur.	3,585,826	3,585,826				
Municipal Bonds	1,956,342		1,956,342			
Commercial Paper	5,000,000	5,000,000				
Medium-Term Notes	36,263,426	3,003,312	6,608,906	24,912,822	1,738,386	
Supranationals	3,935,181	3,935,181				
Totals	\$187,196,613	\$87,959,548	\$18,068,401	\$27,542,360	\$1,738,386	\$51,887,918

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 \$24,804,825 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 - GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, requires the 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.

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- 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, 2019:

Investments by Fair Value Level		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt Securities:			
U.S. Treasury Obligations	\$ 53,713,211	\$ 53,713,211	
Asset-Backed Securities	10,780,090		\$10,780,090
Negotiable Certificates of Deposit	12,132,691		12,132,691
Medium-Term Notes	36,263,426		36,263,426
Commercial Paper	5,000,000		5,000,000
Federal Agency Securities	15,034,475		15,034,475
Municipal Bonds	1,956,342		1,956,342
Supranationals	3,935,181		3,935,181
Totals	\$138,815,416	\$53,713,211	\$85,102,205

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, 2019:

	<u>9/30/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>9/30/2019</u>
<u>NON-DEPRECIABLE ASSETS:</u>					
Land	\$ 590,545	\$ 0	\$ 0	\$ 0	\$ 590,545
Undeveloped	24,416	0	0	(24,416)	0
Total Non-Depreciable Assets	614,961	0	0	(24,416)	590,545
<u>DEPRECIABLE ASSETS:</u>					
Building & Improvements	5,336,035	0	0	0	5,336,035
Furniture & Equipment	638,192	97,070	(11,252)	0	724,010
Software	455,037	18,530	0	24,416	497,983
Total Depreciable Assets	6,429,264	115,600	(11,252)	24,416	6,558,028
<u>LESS ACCUMULATED DEPRECIATION:</u>					
Building & Improvements	(1,386,157)	(179,073)	0	0	(1,565,230)
Furniture & Equipment	(570,224)	(29,260)	11,252	0	(588,232)
Software	(446,263)	(9,814)	0	0	(456,077)
Total Accumulated Depreciation	(2,402,644)	(218,147)	11,252	0	(2,609,539)
Capital Assets - Net	\$4,641,581	\$(102,547)	\$ 0	\$ 0	\$ 4,539,034

(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, 2019. 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.

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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, 2019, unpaid losses of \$61,452,047 are presented at the net present value of \$61,386,726. These losses are discounted at a rate of 1% for Liability, 1.5% for Workers' Compensation, .5% 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, 2019:

Discounted Unpaid Claims and Claim Adjustment	
Expenses at Beginning of Fiscal Year	\$57,908,702
Incurring Claims and Claim Adjustment Expenses:	
Provision for Insured Events of the Current Fiscal Year	86,926,132
Increase in Provision of Insured Events of Prior Fiscal Years	4,342,939
Total Incurred Claims and Claim Adjustment Expenses	91,269,071
PAYMENTS:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	62,671,554
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	25,119,493
Total Payments	87,791,047
Discounted Unpaid Claims and Claim Adjustment	
Expenses at End of Fiscal Year	\$61,386,726
<u>Components of Claims Liability:</u>	
Provision for Claims (Current)	\$20,564,573
Claims Reserves	13,612,687
Claims Incurred But Not Reported	24,283,966
Unallocated Loss Adjustment Liability	2,925,500
Total Claims Liability	\$61,386,726

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Year Ended September 30, 2019**

(7) Net Position Designations

There are three categories that make up net position: the Catastrophic Reserve (CAT) Fund (includes the Natural Disaster Fund for the property program), Employee Benefits Fund, and the Rate Stabilization Fund. The CAT Fund is established to protect members from excessive losses, shared by all members in a given policy year. Contributions to the CAT Fund are typically calculated as 10% of premiums earned. Beginning with the fiscal year 2012-2013, the Liability and Workers' Compensation Programs limited the CAT Fund to 99% of the current years actuarially determined Gross Liability for Unpaid Losses. If a member has over 99%, a refund is transferred into their Rate Stabilization Fund. If the CAT fund is underfunded, collections can be transferred from the Rate Fund if the funds are available. The Rate Stabilization Fund is used to smooth the member's premium billing and refund process. The Employee Benefits Fund can be used to help reduce premium increases of only that Program when approved by the Executive Committee.

Net position is designated in the following manner:

September 30, 2019:	
Catastrophic (CAT)/Natural Disaster Fund	\$41,167,623
Employee Benefits Fund	49,207,067
RPA Stabilization Fund	<u>8,559,812</u>
Net Position	<u>\$98,934,502</u>

(8) Joint Venture

The JPIA participated in a joint venture under a joint powers agreement with Local Agency Workers' Compensation Excess (LAWCX) during the fiscal years 1992-93; 1993-94; and 1994-95. The relationship between The JPIA and LAWCX is such that LAWCX is not a component unit of The JPIA for financial reporting purposes. Each member agency pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in LAWCX. LAWCX prepares separate annual financial statements, which may be obtained from Bickmore Risk Services, Inc., 1750 Creekside Oaks Drive, Suite 200, and Sacramento, CA 95833.

(9) Pension Plan

Plan Description

ACWA JPIA provides pension benefits to its employees through ACWA JPIA's Miscellaneous Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan maintained by CalPERS, an agency of the State of California. ACWA JPIA had less than 100 active members as of the June 30, 2019 actuarial valuation. As a result, qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

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

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and have a minimum of five years of CalPERS-credited service. Members after December 2012 must be at least 52 to be eligible for service retirement.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. ACWA JPIA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. ACWA JPIA's required contribution rate on covered payroll for the measurement period ended June 30, 2019 (the measurement date) was 8.811% and 7.266% 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, 2019, the employer contributions to the plan were \$410,030, which included an additional elective contribution of \$8,855 to reduce the Net Pension Liability (NPL).

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

ACWA JPIA's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2019 for the year ended September 30, 2019. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. As of September 30, 2019, ACWA JPIA's proportionate share of the Plan's net pension liability (NPL) was (\$334,731).

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, 2018 and 2019 were as follows:

	<u>Plan</u>
Proportion - June 30, 2018	(.023017%)
Proportion - June 30, 2019	(.008359%)
Change	<u>.014658%</u>

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**NOTES TO FINANCIAL STATEMENTS
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For the year ended September 30, 2019, ACWA JPIA recognized pension expense of \$477,773, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience*	\$ (23,248)	\$ 1,801
Changes of assumptions*	(15,962)	5,658
Net difference between projected and actual earnings on pension plan investments		5,852
Changes in proportions	412,854	
Changes in proportionate share of contributions		(1,083,335)
Pension contributions subsequent to measurement date	<u>107,085</u>	
Total	<u>\$ 480,729</u>	<u>\$ (1,070,024)</u>

*It should be noted that differences between expected and actual experience and changes in assumptions show as negative deferred outflows of resources due to JPIA sharing a negative proportion of the pool liability while having a net pension asset.

As of September 30, 2019, the \$107,085 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, 2020. As of September 30, 2019, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense (benefit) as follows:

<u>Year Ended September 30</u>	
2020	\$ (645,962)
2021	(148,745)
2022	99,509
2023	(1,182)

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Actuarial Methods and Assumptions

The collective TPL for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the TPL to June 30, 2019. 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

There were no changes of assumptions for the measurement period ended June 30, 2019.

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.

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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 JPIA's Proportional Share of the NPL of the Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 7.15%, as well as what ACWA JPIA'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 JPIA's Proportionate Share of Plan's NPL(NPA)	\$ 3,599,172	\$ (334,731)	\$ (3,581,890)

(10) 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

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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, 2019 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	16
Inactive employees entitled to but not receiving benefits	0
Participating active employees	<u>49</u>
Total	<u><u>65</u></u>

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.

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

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over the last 30 years assuming a similar equity/fixed investment 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:

<u>Investment Class</u>	<u>Target Allocation</u>	<u>Long-Term * Expected Real Rate of Return</u>
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, 2019 is based on these requirements and the following information:

<u>Discount Rate</u>	<u>Bond Buyer 20-Bond GO Index</u>
7.28%	3.50%

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Changes in the Net OPEB Asset

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

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (TOL) (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (Asset) (a)-(b)</u>
Balance at June 30, 2018	\$ 6,931,276	\$ 7,900,405	\$ (969,129)
Changes recognized for the measurement period:			
Service cost	282,624		282,624
Interest	518,285		518,285
Contributions—employer		232,094	(232,094)
Net investment income		488,951	(488,951)
Differences between expected and actual experience	(178,909)		(178,909)
Change of assumptions	(516,365)		(516,365)
Benefit payments	(192,597)	(192,597)	
Administrative expense		(3,890)	3,890
Net changes	<u>(86,962)</u>	<u>524,558</u>	<u>(611,520)</u>
Balance at June 30, 2019 (Measurement date June 30, 2019)	<u>\$ 6,844,314</u>	<u>\$ 8,424,963</u>	<u>\$ (1,580,649)</u>

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:

	<u>Discount Rate -1% (6.28%)</u>	<u>Current Discount Rate (7.28%)</u>	<u>Discount Rate +1% (8.28%)</u>
Net OPEB Asset	\$ 652,485	\$ 1,580,649	\$ 2,352,307

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:

	<u>Trend Rate -1%</u>	<u>Health Care Trend Rate</u>	<u>Trend Rate +1%</u>
Net OPEB Asset	\$ 2,441,459	\$ 1,580,649	\$ 526,180

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**NOTES TO FINANCIAL STATEMENTS
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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.

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 (EARSLS) of plan participants

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended September 30, 2019, the JPIA recognized OPEB expense of \$146,067. At September 30, 2019, 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	\$ 32,269	
Changes in assumptions		\$ 447,231
Differences between expected and actual experience		154,964
Net difference between projected and actual earnings on OPEB plan investments	40,792	
Total	\$ 73,061	\$ 602,195

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The \$32,269 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as an increase in the net OPEB Asset during the fiscal year ending September 30, 2020. 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		
2020	\$	85,323
2021		85,323
2022		85,325
2023		75,593
2024		93,089
Thereafter		136,750

(11) Deferred Compensation Plan

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

SEPTEMBER 30, 2019

	Liability Program	Property Program	Workers' Compensation Program	Employee Benefits Program	Total
Unpaid Claims and Claim Adjustment at Beginning of the Fiscal Year	\$ 23,433,464	\$ 1,040,408	\$ 26,870,576	\$ 6,564,254	\$ 57,908,702
Incurred Claims and Allocated Claim Adjustment Expense:					
Provisions for Insured Events of the Current Fiscal Year	13,313,315	1,857,690	6,085,647	65,669,480	86,926,132
Increase (decrease) in Provision for Incurred Events of Prior Fiscal Years	<u>(4,307,921)</u>	<u>370,108</u>	<u>(239,730)</u>	<u>8,520,482</u>	<u>4,342,939</u>
Total Incurred Claims and Allocated Claim Adjustment Expenses	<u>9,005,394</u>	<u>2,227,798</u>	<u>5,845,917</u>	<u>74,189,962</u>	<u>91,269,071</u>
Payments					
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	1,622,001	1,119,831	1,063,272	58,866,450	62,671,554
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	<u>4,308,841</u>	<u>732,103</u>	<u>4,993,805</u>	<u>15,084,744</u>	<u>25,119,493</u>
Total Payments	5,930,842	1,851,934	6,057,077	73,951,194	87,791,047
Discounted Unpaid Claims and Allocated Claim Adjustment Expense at the End of the Fiscal Year	<u>\$ 26,508,016</u>	<u>\$ 1,416,272</u>	<u>\$ 26,659,416</u>	<u>\$ 6,803,022</u>	<u>\$ 61,386,726</u>
Components:					
Provision for Claims (Current)	\$ 7,033,445	\$ 1,028,632	\$ 5,699,474	\$ 6,803,022	\$ 20,564,573
Claims Reserves	9,035,882	(50,465)	4,627,270	0	13,612,687
Claims Incurred But Not Reported	9,900,630	353,815	14,029,521	0	24,283,966
Unallocated Loss Adjustment Liability	538,059	84,290	2,303,151	0	2,925,500
Total Claims Liability	<u>\$ 26,508,016</u>	<u>\$ 1,416,272</u>	<u>\$ 26,659,416</u>	<u>\$ 6,803,022</u>	<u>\$ 61,386,726</u>

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TEN YEAR CLAIMS DEVELOPMENT INFORMATION
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EMPLOYEE BENEFITS

	2012*	2013	2014	2015	2016	2017	2018
1. Required contribution and investment revenue:							
Earned	\$ 53,510,611	\$ 114,063,809	\$ 121,694,180	\$ 122,221,415	\$ 127,866,625	\$ 140,433,366	\$ 146,629,788
Ceded	541,419	836,491	1,029,985	1,276,428	1,538,801	1,636,443	2,107,541
Net earned	52,969,192	113,227,318	120,664,195	120,944,987	126,327,824	138,796,923	144,522,247
2. Unallocated expenses:	737,231	1,734,193	2,878,450	3,638,855	2,937,002	3,034,185	2,492,644
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	77,042,190
Ceded	3,262,087	755,783	691,553	1,908,777	4,646,895	1,220,439	2,580,695
Net incurred	31,943,031	69,673,817	72,722,671	79,189,212	81,553,961	81,080,136	74,461,495
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	74,461,495
One year later	32,327,809	69,742,278	74,319,010	79,155,502	81,292,341	80,826,492	
Two years later	31,837,837	69,744,060	74,319,010	78,652,326	81,295,992		
Three years later	31,837,948	69,744,060	74,319,761	78,661,126			
Four years later	31,837,948	69,748,815	74,345,853				
Five years later	31,837,897	69,779,919					
Six 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	2,580,695
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	74,461,495
One year later	35,484,702	70,594,649	74,319,010	79,155,502	81,292,341	80,826,492	
Two years later	34,609,952	69,744,060	74,319,010	78,652,326	81,295,992		
Three years later	31,837,948	69,744,060	74,319,761	78,661,126			
Four years later	31,837,948	69,748,815	74,345,853				
Five years later	31,837,897	69,779,919					
Six years later	31,837,897						
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	\$ (105,134)	\$ 106,102	\$ 1,623,182	\$ (528,086)	\$ (257,969)	\$ (253,644)	\$ 0

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

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**TEN YEAR CLAIMS DEVELOPMENT INFORMATION
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LIABILITY PROGRAM

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1. Required contribution and investment revenue:										
Earned	\$ 18,869,297	\$ 18,968,835	\$ 19,833,549	\$ 17,696,660	\$ 16,947,157	\$ 15,720,446	\$ 15,818,397	\$ 16,805,321	\$ 18,193,540	\$ 18,639,312
Ceded	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	3,196,277
Net earned	14,260,430	14,373,416	15,688,456	13,616,360	13,287,740	12,085,729	11,942,647	14,046,645	15,178,987	15,443,035
2. Unallocated expenses	2,067,262	2,301,458	2,600,562	1,674,265	2,467,477	2,025,082	2,131,427	2,645,272	2,307,125	1,461,534
3. Estimated claims and expenses end of policy year:										
Incurred	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	14,101,240
Ceded	775,277	1,482,000	3,340,797	2,803,191	2,829,815	2,688,625	3,489,316	949,000	860,000	1,025,000
Net incurred	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	13,076,240
4. Net paid (cumulative) as of :										
End of policy year	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	1,622,001
One year later	2,768,106	2,536,953	2,347,481	2,892,313	3,985,953	4,630,229	5,197,925	3,375,115	3,176,237	
Two years later	4,178,258	3,380,763	5,333,836	4,419,948	5,066,762	5,405,345	9,257,380	6,537,956		
Three years later	4,952,630	3,840,217	6,184,173	4,569,894	5,883,558	7,270,381	9,148,742			
Four years later	4,962,995	4,731,053	6,176,719	4,592,713	6,077,650	7,010,514				
Five years later	5,128,754	4,572,283	6,345,207	4,647,004	6,112,400					
Six years later	5,185,572	4,572,301	6,496,242	4,647,004						
Seven years later	5,123,625	4,577,880	6,543,103							
Eight years later	5,122,798	4,577,880								
Nine years later	5,122,798									
5. Reestimated claims and expenses:	49,094	0	17,000	0	8,516,000	63,000	182,000	257,000	469,000	1,025,000
6. Reestimated net incurred claims and expenses:										
End of policy year	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	13,076,240
One year later	6,683,075	6,436,591	7,445,949	6,729,662	10,676,485	8,611,154	10,817,319	10,717,162	10,791,082	
Two years later	6,092,815	4,951,214	6,853,715	6,742,879	9,275,901	7,454,187	10,800,508	9,064,480		
Three years later	6,150,522	4,825,003	8,546,852	5,191,809	8,487,171	7,961,888	9,960,435			
Four years later	5,420,192	5,343,648	6,607,018	4,744,468	8,216,397	7,312,945				
Five years later	5,423,372	4,697,574	7,399,352	4,711,351	8,165,264					
Six years later	5,248,260	4,850,372	7,471,152	4,647,005						
Seven years later	5,144,785	4,924,499	7,403,311							
Eight years later	5,125,967	4,924,499								
Nine years later	5,123,331									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	\$ (1,523,435)	\$ (3,130,662)	\$ (757,627)	\$ (3,890,803)	\$ (997,151)	\$ (4,738,790)	\$ (1,560,790)	\$ (2,610,018)	\$ (870,219)	\$ 0

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**TEN YEAR CLAIMS DEVELOPMENT INFORMATION
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PROPERTY PROGRAM

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1. Required contribution and investment revenue:										
Earned	\$ 4,143,017	\$ 4,397,768	\$ 4,607,305	\$ 4,875,627	\$ 5,111,733	\$ 5,314,293	\$ 5,062,823	\$ 5,286,183	\$ 5,735,068	\$ 5,984,058
Ceded	2,643,369	2,855,737	3,050,768	3,368,987	2,720,489	2,318,262	1,527,000	1,523,521	1,657,369	3,042,615
Net earned	1,499,648	1,542,031	1,556,537	1,506,640	2,391,244	2,996,031	3,535,823	3,762,662	4,077,699	2,941,443
2. Unallocated expenses	193,540	200,019	309,319	192,097	421,328	1,754,644	1,667,230	1,857,936	1,223,385	1,337,521
3. Estimated claims and expenses end of policy year:										
Incurred	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	13,273,427
Ceded	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	10,419,000
Net incurred	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573	1,733,825	1,309,770	2,854,427
4. Net paid (cumulative) as of :										
End of policy year	692,003	775,702	661,882	596,198	952,945	611,312	847,420	1,275,484	1,089,031	2,110,318
One year later	694,396	790,438	760,239	616,432	1,052,728	778,469	848,772	1,211,080	1,146,171	
Two years later	689,284	790,438	822,930	615,623	1,047,753	808,445	849,197	1,183,299		
Three years later	689,621	801,074	922,930	615,623	1,047,753	801,718	869,804			
Four years later	689,621	801,074	922,930	615,623	1,105,398	759,655				
Five years later	689,621	801,074	922,930	615,623	1,105,398					
Six years later	689,621	801,074	922,930	615,623						
Seven years later	689,621	801,074	922,930							
Eight years later	686,371	801,074								
Nine years later	681,671									
5. Reestimated claims and expenses:	2,398,734	1,730,927	1,635,784	699,338	359,408	0	400,000	4,955,000	3,164,000	10,419,000
6. Reestimated net incurred claims and expenses:										
End of policy year	713,985	821,562	793,158	717,879	1,205,568	852,273	871,573	1,733,825	1,309,770	2,854,427
One year later	704,286	810,318	767,256	618,919	1,052,729	1,039,107	870,772	1,512,876	1,148,440	
Two years later	699,244	790,438	899,853	615,623	1,047,754	809,445	871,272	1,259,393		
Three years later	699,611	801,074	922,930	615,623	1,107,754	801,718	871,272			
Four years later	689,621	801,074	922,930	615,623	1,105,399	759,655				
Five years later	689,621	801,074	922,930	615,623	1,105,399					
Six years later	689,621	801,074	922,930	615,623						
Seven years later	689,621	801,074	922,930							
Eight years later	686,371	801,074								
Nine years later	681,671									
7. (Decrease) in estimated incurred claims and expense from end of policy year	\$ (32,314)	\$ (20,488)	\$ 129,772	\$ (102,256)	\$ (100,169)	\$ (92,618)	\$ (301)	\$ (474,432)	\$ (161,330)	\$ 0

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

TEN YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF SEPTEMBER 30, 2019

WORKERS' COMPENSATION

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1. Required contribution and investment revenue:										
Earned	\$ 10,815,742	\$ 12,214,559	\$ 12,423,065	\$ 13,287,485	\$ 12,512,107	\$ 12,412,589	\$ 12,529,286	\$ 12,780,849	\$ 12,953,880	\$ 13,704,720
Ceded	481,560	466,931	413,858	516,165	523,904	431,752	506,645	556,796	499,119	488,946
Net earned	10,334,182	11,747,628	12,009,207	12,771,320	11,988,203	11,980,837	12,022,641	12,224,053	12,454,761	13,215,774
2. Unallocated expenses:	2,759,578	3,300,309	2,523,995	3,190,295	2,150,741	2,627,548	2,070,039	2,225,735	2,112,892	1,815,996
3. Estimated claims and expenses end of policy year:										
Incurred	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	6,903,658
Ceded	40,000	80,000	230,000	32,500	130,000	0	0	0	0	0
Net incurred	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	6,903,658
4. Net paid (cumulative) as of :										
End of policy year	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	1,379,721
One year later	2,397,814	2,473,734	2,351,310	3,039,536	2,499,754	2,726,529	1,666,309	2,345,827	2,248,484	
Two years later	3,072,147	3,042,230	2,901,384	3,944,478	3,207,520	3,343,412	2,086,129	2,657,368		
Three years later	3,511,922	3,579,172	3,238,077	4,974,571	3,675,577	3,828,609	2,274,301			
Four years later	3,973,600	4,165,524	3,408,547	5,612,187	4,198,011	4,131,207				
Five years later	4,264,689	4,437,992	3,554,532	5,947,094	4,452,783					
Six years later	4,474,830	4,555,980	4,989,772	6,449,578						
Seven years later	4,505,476	4,821,961	5,177,253							
Eight years later	4,533,418	4,918,635								
Nine years later	4,855,509									
5. Reestimated claims and expenses:	0	0	292,073	0	0	0	0	0	0	0
6. Reestimated net incurred claims and expenses:										
End of policy year	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	6,903,658
One year later	5,409,694	6,406,747	5,377,941	6,382,564	5,387,863	6,638,361	4,581,505	5,965,054	5,901,694	
Two years later	5,588,999	5,978,804	5,632,117	6,853,254	5,705,488	6,740,067	3,800,513	5,069,443		
Three years later	4,997,277	6,286,812	5,255,945	7,985,933	5,778,062	6,080,657	3,555,630			
Four years later	5,181,837	6,373,660	5,343,587	8,496,518	5,615,771	5,992,903				
Five years later	5,622,302	6,397,276	5,415,049	8,816,370	5,480,036					
Six years later	5,567,475	6,177,577	5,829,245	8,815,573						
Seven years later	5,123,602	5,355,995	6,104,408							
Eight years later	4,963,935	5,116,539								
Nine years later	4,977,876									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year:	\$ (1,070,967)	\$ (448,613)	\$ (69,902)	\$ 2,932,400	\$ (586,520)	\$ 187,847	\$ (2,142,909)	\$ (2,132,760)	\$ (744,042)	\$ 0

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

Notes to Required Supplementary Information
Year Ended September 30, 2019

(1) Reconciliation of Claims Liabilities by Type of Contract

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

(2) Claims Development Information

The table illustrates how earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses as of the end of each of the past ten years.

The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs including overhead and claims expense not allocable to individual claims.
3. This line shows the gross incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred.
4. This section of ten rows shows the cumulative net amounts paid as of the net of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section shows the annually re-estimated results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

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

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

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

	<u>2018</u>	<u>2019</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 269,165	\$ 282,624
Interest	476,950	518,285
Differences between expected and actual experience	(11)	(178,909)
Changes of assumptions	0	(516,365)
Benefit payments	<u>(190,988)</u>	<u>(192,597)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	555,116	(86,962)
TOTAL OPEB LIABILITY, Beginning	<u>6,376,160</u>	<u>6,931,276</u>
TOTAL OPEB LIABILITY, Ending (a)	<u>6,931,276</u>	<u>6,844,314</u>
PLAN FIDUCIARY NET POSITION		
Contributions—employer	319,185	232,094
Net investment income	483,241	488,951
Benefit payments	(190,988)	(192,597)
Administrative expense	<u>(3,795)</u>	<u>(3,890)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	607,643	524,558
PLAN FIDUCIARY NET POSITION, Beginning	<u>7,292,762</u>	<u>7,900,405</u>
PLAN FIDUCIARY NET POSITION, Ending (b)	<u>7,900,405</u>	<u>8,424,963</u>
NET OPEB LIABILITY (ASSET), Ending (a) - (b)	<u>\$ (969,129)</u>	<u>\$ (1,580,649)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	113.98%	123.09%
Covered-employee payroll	\$ 4,470,013	\$ 5,092,412
Net OPEB asset as a percentage of covered-employee payroll	-21.68%	-31.04%

Notes to Schedule:

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

Assumption Changes:

In 2019, the average per capita claims cost was updated to reflect actual 2019 premiums, the health care cost trend rate was updated to reflect 2018 industry survey data, the mortality, withdrawal, disablement, and retirement tables was updated to reflect the 2017 CalPERS studies. The population for curving and morbidity factors have also been updated to the 2017 CalPERS study.

There have been no other assumption changes since the last measurement date.

* Fiscal year 2018 was the 1st year of implementation, therefore only two years are presented.

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

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

	<u>2018</u>	<u>2019</u>
Actuarial determined contribution	\$ 221,901	\$ 232,094
Contributions in relation to the actuarially determined contribution	<u>(221,901)</u>	<u>(232,094)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
 Covered-employee payroll	 4,470,013	 5,092,412
 Contributions as a percentage of covered-employee payroll	 4.96%	 4.56%

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 two years are presented.

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

SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
As Of September 30, 2019
Last 10 Years*

	Measurement Date				
	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
The JPIA's Proportion of the Net Pension Liability (Asset)	(0.01024%)	0.038815%	0.013959%	(0.023017%)	(0.008359%)
The JPIA's Proportionate Share of the Net Pension Liability (Asset)	(\$280,963)	\$1,348,385	\$550,282	(\$867,450)	(\$334,731)
The JPIA's Covered-Employee Payroll	\$3,838,778	\$4,240,054	\$4,411,665	\$4,470,013	\$4,759,677
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%)	(7.03%)
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%	75.26%

* Fiscal year 2015 was the 1st year of implementation, therefore only five 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. In 2017, the financial reporting discount rate was lowered from 7.65% to 7.15%.

**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, 2019
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS TO THE DEFINED BENEFIT PENSION PLAN

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution (actuarially determined)	\$ 334,581	\$ 352,666	\$ 349,738	\$ 361,115	\$ 401,175
Contributions in relation to the actuarially determined contributions	<u>334,581</u>	<u>352,666</u>	<u>349,738</u>	<u>361,115</u>	<u>401,175</u>
Contribution deficiency (excess)	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Covered-employee payroll	\$3,917,613	\$4,519,745	\$4,428,325	\$4,524,319	\$4,837,414
Contributions as a percentage of covered-employee payroll	8.54%	7.80%	7.90%	7.98%	8.29%

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

SUPPLEMENTARY INFORMATION

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM
YEAR ENDED SEPTEMBER 30, 2019

	LIABILITY	DAM FAILURE	PROPERTY	PASS - THROUGHS	WORKERS' COMP	STORAGE TANKS	EMPLOYEE BENEFITS	RPA ADJUSTMENTS	TOTALS
OPERATING REVENUES									
Member premiums	\$ 17,660,823	\$ 279,607	\$ 5,209,021	\$ 614,451	\$ 13,001,818	\$ 28,262	\$ 146,385,741	\$ 0	\$ 183,179,723
Retrospective premium adjustments	(4,996,527)	0	1,525,079	0	(5,778,417)	(27,273)	0	(255,292)	(9,532,430)
	<u>12,664,296</u>	<u>279,607</u>	<u>6,734,100</u>	<u>614,451</u>	<u>7,223,401</u>	<u>989</u>	<u>146,385,741</u>	<u>(255,292)</u>	<u>173,647,293</u>
TOTAL OPERATING REVENUES									
OPERATING EXPENSES									
Claims expense:									
Claims paid	5,930,842	0	1,851,934	0	6,057,077	0	73,951,195		87,791,048
Change in claims reserves	3,175,215	0	85,270	0	(6,655)	0	0		3,253,830
Change in claims incurred but not reported	(143,973)	0	260,301	0	(182,237)	0	238,768		172,859
Change in unallocated loss adjustment expense	43,309	0	30,294	0	(22,268)	0	0		51,335
Total claims expense	<u>9,005,393</u>	<u>0</u>	<u>2,227,799</u>	<u>0</u>	<u>5,845,917</u>	<u>0</u>	<u>74,189,963</u>	<u>0</u>	<u>91,269,072</u>
Excess insurance	3,196,277	279,615	3,223,867	357,714	502,349	13,464	2,692,141		10,265,427
Benefit premiums	0	0	0	0	0	0	57,973,208		57,973,208
General, Administrative & Depreciation	2,871,128	(8)	1,261,644	256,737	3,368,315	0	2,090,723		9,848,539
TOTAL OPERATING EXPENSES	<u>15,072,798</u>	<u>279,607</u>	<u>6,713,310</u>	<u>614,451</u>	<u>9,716,581</u>	<u>13,464</u>	<u>136,946,035</u>	<u>0</u>	<u>169,356,246</u>
OPERATING INCOME (LOSS)	<u>(2,408,502)</u>	<u>0</u>	<u>20,790</u>	<u>0</u>	<u>(2,493,180)</u>	<u>(12,475)</u>	<u>9,439,706</u>	<u>(255,292)</u>	<u>4,291,047</u>
NONOPERATING REVENUES									
Investment income	1,020,817	0	89,189	0	1,054,357	7,783	1,566,170		3,738,316
Net increase in investment fair value	1,387,685	0	140,021	0	1,438,823	7,517	1,465,489		4,439,535
TOTAL NONOPERATING REVENUES	<u>2,408,502</u>	<u>0</u>	<u>229,210</u>	<u>0</u>	<u>2,493,180</u>	<u>15,300</u>	<u>3,031,659</u>	<u>0</u>	<u>8,177,851</u>
CHANGE IN NET POSITION	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 250,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,825</u>	<u>\$ 12,471,365</u>	<u>\$ (255,292)</u>	<u>\$ 12,468,898</u>

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.

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Statements of Net Position.....	51
Statements of Revenues, Expenses and Changes in Net Position.....	52
Revenues by Program.....	53
Expenses by Program.....	54
Schedule of Rate Stabilization Fund Activity.....	55

Demographic and Economic Information

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

	<u>Page</u>
Economic Statistics.....	56
Demographic Statistics.....	57
Covered Payrolls/Property Values.....	59

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets										
Current assets	\$ 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	\$ 75,977,556
Noncurrent assets	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	136,122,295
TOTAL ASSETS	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	212,099,851
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS¹						625,033	1,065,779	1,404,974	1,063,032	480,729
DEFERRED OUTFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS²									35,283	73,061
Liabilities										
Current liabilities	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	49,702,296
Noncurrent liabilities	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	62,344,624
TOTAL LIABILITIES	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	112,046,920
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS¹						846,155	1,802,985	1,576,175	2,117,303	1,070,024
DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS²									38,924	602,195
Net Position										
Net investment in capital assets	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	4,539,034
Unrestricted	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	94,395,468
TOTAL NET POSITION	\$ 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	\$ 98,934,502

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,

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Member premiums	\$ 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	\$ 183,179,723
Retrospective premium adjustments	(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)	(9,532,430)
TOTAL OPERATING REVENUES	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	173,647,293
EXPENSES										
Claims paid	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	87,791,048
Change in excess aggregate recovery	(87,603)	(215,529)	(8,186)	399,779	0	0	0	0	0	0
Change in claim reserves	2,112,946	(451,162)	395,087	1,651,729	1,109,472	4,098,558	(1,008,442)	(255,677)	3,187,095	3,253,830
Change in claims incurred but not reported	352,164	383,658	3,058,785	(2,586,808)	616,144	4,153,850	(3)	3,832,135	(6,123,633)	172,859
Change in unallocated loss adjustment expenses	133,186	(153,673)	86,653	(154,761)	490,716	281,517	277,793	165,446	(304,308)	51,335
TOTAL CLAIMS EXPENSE	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	91,269,072
Excess insurance and premium payments	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	68,238,635
General and administrative	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	9,630,392
Depreciation	51,921	234,085	322,936	322,789	366,360	341,832	268,088	254,843	244,521	218,147
TOTAL OPERATING EXPENSES	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	169,356,246
OPERATING INCOME (LOSS)	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	4,291,047
SPECIAL ITEM										
Net position acquired from merger			34,986,207							
NONOPERATING REVENUES AND EXPENSES										
Net investment income	2,885,378	1,446,926	1,699,881	162,348	1,111,191	2,738,962	2,380,372	797,414	294,925	8,177,851
CHANGE IN NET POSITION	\$ 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	\$ 12,468,898

**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	Employee Benefits	Change in Rate Stabilization Fund & GASB Adj's	Totals
2009-10	\$ 11,993,302 40.06%	\$ 272,341 0.91%	\$ 3,431,116 11.46%	\$ 263,801 0.88%	\$ 12,222,543 40.83%	\$ 10,822 0.04%		\$ 1,743,542 5.82%	\$ 29,937,467
2010-11	18,307,796 61.86%	272,341 0.92%	3,785,935 12.79%	258,198 0.87%	6,963,609 23.53%	9,747 0.03%		(1,226) 0.00%	29,596,400
2011-12	17,338,107 28.83%	258,944 0.43%	4,068,841 6.77%	246,167 0.41%	11,235,128 18.68%	12,269 0.02%	\$ 26,901,485 44.73%	75,253 0.13%	60,136,194
2012-13	16,490,152 11.74%	265,276 0.19%	3,946,776 2.81%	250,736 0.18%	8,044,738 5.73%	12,271 0.01%	112,521,087 80.11%	(1,078,628) -0.77%	140,452,408
2013-14	11,430,667 7.99%	255,503 0.18%	4,925,813 3.44%	260,521 0.18%	10,965,338 7.66%	12,378 0.01%	119,699,883 83.63%	(4,424,509) -3.09%	143,125,594
2014-15	21,062,280 13.13%	255,500 0.16%	4,316,367 2.69%	253,987 0.16%	10,025,093 6.25%	12,682 0.01%	122,243,564 76.21%	2,231,224 1.39%	160,400,697
2015-16	7,064,155 4.73%	255,500 0.17%	5,321,990 3.56%	262,220 0.18%	13,040,835 8.73%	12,680 0.01%	126,441,388 84.65%	(3,026,998) -2.03%	149,371,770
2016-17	14,594,442 8.55%	257,403 0.15%	4,628,900 2.71%	305,519 0.18%	9,642,153 5.65%	16,650 0.01%	137,343,585 80.42%	4,000,945 2.34%	170,789,597
2017-18	17,147,781 9.72%	261,024 0.15%	5,259,036 2.98%	372,025 0.21%	7,709,196 4.37%	14,079 0.01%	143,957,698 81.64%	1,618,390 0.92%	176,339,229
2018-19	15,072,798 8.29%	279,607 0.15%	6,963,310 3.83%	614,451 0.34%	9,716,581 5.34%	16,289 0.01%	149,417,400 82.18%	(255,292) -0.14%	181,825,144

**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	Employee Benefits	Totals
2009-10	11,206,756 43.09%	272,341 1.05%	3,431,116 13.19%	263,801 1.01%	10,826,804 41.63%	8,439 0.03%		26,009,257
2010-11	16,161,779 61.48%	272,341 1.04%	3,785,935 14.40%	258,198 0.98%	5,797,445 22.06%	10,532 0.04%		26,286,230
2011-12	14,478,675 26.29%	258,944 0.47%	4,068,841 7.39%	246,167 0.45%	10,632,214 19.31%	10,532 0.02%	\$ 25,375,738 46.08%	55,071,111
2012-13	16,006,207 12.01%	265,276 0.20%	3,946,774 2.96%	250,736 0.19%	7,499,767 5.63%	10,438 0.01%	105,320,776 79.01%	133,299,974
2013-14	11,430,667 7.64%	255,503 0.17%	4,925,813 3.29%	260,522 0.17%	10,965,338 7.33%	10,260 0.01%	121,836,086 81.40%	149,684,189
2014-15	21,062,280 12.83%	255,500 0.16%	4,066,367 2.48%	253,987 0.15%	10,025,093 6.11%	10,564 0.01%	128,521,637 78.27%	164,195,428
2015-16	7,064,155 4.37%	255,500 0.16%	4,821,990 2.98%	262,220 0.16%	13,040,834 8.07%	10,564 0.01%	136,146,708 84.25%	161,601,971
2016-17	14,594,442 8.89%	257,403 0.16%	4,128,900 2.52%	305,519 0.19%	9,642,153 5.87%	14,243 0.01%	135,227,880 82.37%	164,170,540
2017-18	17,147,781 10.38%	261,024 0.16%	4,759,037 2.88%	372,025 0.23%	7,709,196 4.67%	11,720 0.01%	134,935,516 81.68%	165,196,299
2018-19	15,072,798 8.90%	279,607 0.17%	6,713,310 3.96%	614,451 0.36%	9,716,581 5.74%	13,464 0.01%	136,946,035 80.86%	169,356,246

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

SCHEDULE OF RATE STABILIZATION FUND ACTIVITY
For the Fiscal Years Ending September 30,

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Liability										
Payroll Adjustments *	\$ (360,462)	\$ (233,722)	\$ (41,178)	\$ 8,771	\$ 77,449	\$ 205,975	\$ (21,465)	\$ (54,358)	\$ 63,818	\$ (169,042)
RPA's *	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	1,891,742
10% Program *	(546,891)	(1,165,719)	(1,006,330)	(861,439)	(416,028)	(251,999)	(1,041,835)	(1,493,572)	0	(1,017,753)
Cat Funds *	1,000,197	0	0	(5,357,186)	1,106,460	2,201,780	896,656	(603,846)	351,039	(146,026)
Property										
RPA's *	593,611	496,479	770,282	1,497,493	747,493	422,814	324,287	699,465	891,754	431,317
Workers' Comp										
RPA's *	7,473,796	5,745,357	5,120,265	(1,815,910)	(182,993)	(1,294,405)	(487,746)	75,039	5,013,647	3,184,330
Cat Funds				(911,678)	1,154,883	(752,710)	(631,586)	(872,242)	456,049	(138,797)
Underground - Storage Tanks										
RPA's *	0	10,713	0	0	0	0	0	0	0	7,555
Cat Funds *	0	2,521	0	0	0	0	0	0	0	0
UTEL										
RPA's *	0	0	0	0	0	0	0	0	0	0
Cat Funds *	0	0	0	0	0	0	0	0	0	0
Totals	\$ 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	\$ 4,043,326
Cash Flow										
Members Billed	0	89	2,766	8,551	7,556	115,297	0	0	0	6,530
Self Insured Fund into RSF	0	0	4,573,112	0	0	0	0	0	0	0
Refunds to Members	(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)	(4,569,107)
Net Total	\$ 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	\$ (519,251)

* 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Liability										
Total Number of Claims (Cumulative)	9,769	10,063	10,309	10,614	10,792	9,393	11,294	11,586	11,908	12,200
Closed Claims (Cumulative)	9,598	9,897	10,158	10,402	10,640	10,872	11,127	11,373	11,612	11,867
Open Claims (at year end)	171	166	151	212	152	180	167	213	296	333
Covered Payroll (Cumulative)	\$ 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	\$ 11,738,353
Property										
Total Number of Claims (Cumulative)	1,888	1,978	2,079	2,181	2,275	2,373	2,463	2,589	2,693	2,816
Closed Claims (Cumulative)	1,857	1,944	2,030	2,142	2,244	2,336	2,417	2,532	2,645	2,759
Open Claims (at year end)	31	34	49	39	31	37	46	57	48	57
Covered Payroll (Cumulative)	\$ 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	\$ 95,702,609
Workers' Compensation										
Total Number of Claims (Cumulative)	7,978	8,435	8,808	9,164	9,507	9,822	10,145	10,453	10,750	11,070
Closed Claims (Cumulative)	7,562	7,996	8,378	8,724	9,075	9,373	9,712	10,046	10,336	10,670
Open Claims (at year end)	416	439	430	440	432	449	433	407	414	400
Covered Payroll (Cumulative)	\$ 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	\$ 8,309,485
Number of Employees	39	39	39	43	46	48	49	49	49	49
Ratio of Premium to Payroll/TIV										
Liability Program	3.58%	3.59%	3.58%	3.57%	3.37%	3.02%	2.94%	2.92%	3.00%	2.54%
Property Program	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.10%	0.10%	0.09%	0.08%
Workers' Comp. Program	2.38%	2.61%	2.79%	2.81%	2.72%	2.64%	2.59%	2.46%	2.39%	2.29%

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

Employer	2018			2009	
	Number of Employees	Rank	Percentage of Total City Employees	Number of Employees	Rank
The Permanente Medical Group & Foundation Group	3,148	1	3.78%	4,300	1
Sutter Roseville Medical Group	2,202	2	2.65%	1,922	4
City of Roseville	1,896	3	2.28%	1,100	5
Roseville Joint Union High School District	1,626	4	1.95%	803	8
Roseville City School District	1,133	5	1.36%	897	6
PRIDE Industries	1,062	6	1.28%	800	10
Adventist Health	940	7	1.13%		
Wal-Mart	625	8	0.75%	862	7
Union Pacific Railroad Company	569	9	0.68%	2,000	3
Consolidated Communications	475	10	0.57%		
Hewlett-Packard	(b)			3,200	1
NEC Electronics				800	9
Subtotal	<u>13,676</u>		<u>16.43%</u>	<u>16,684</u>	
Total Employment	<u>83,221</u>	(a)		<u>76,000</u>	

(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

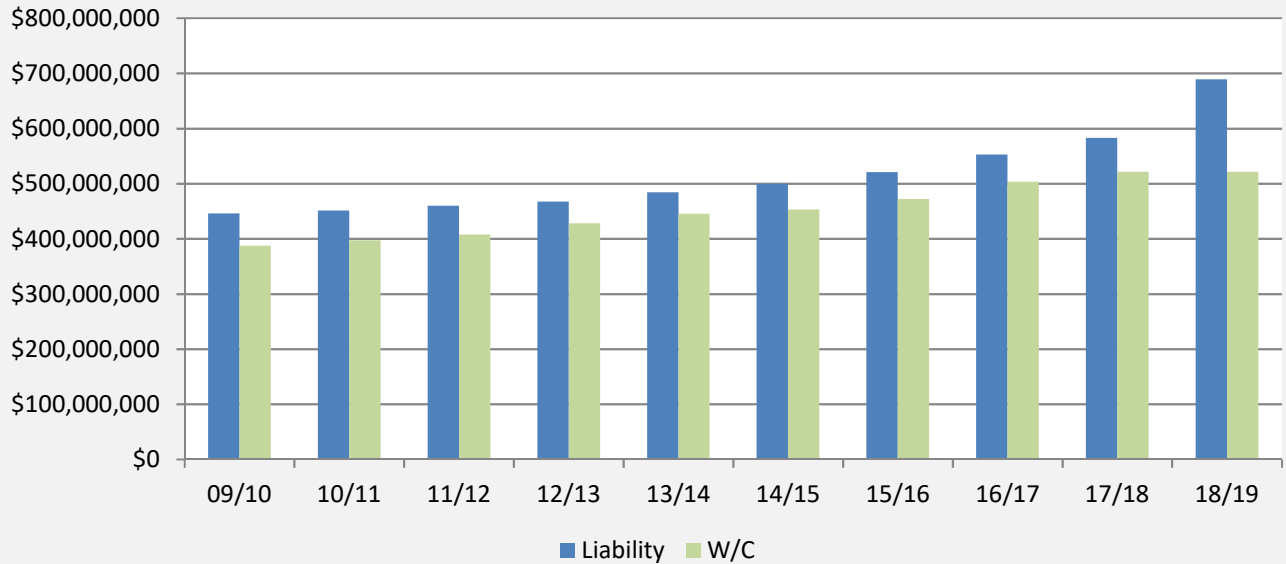
Association of California Water Agencies
Joint Powers Insurance Authority
Demographic Statistics by Population

<u>Fiscal Year</u>	<u>City of Roseville Population</u>	<u>County Total Personal Income (in thousands)</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Placer County Population</u>	<u>City Population % of County</u>
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	22,741,453	59,000	4.5%	373,796	35.87%
2017	135,868	(a)	(a)	3.8%	382,837	35.49%
2018	137,213	(a)	(a)	3.0%	389,532	35.23%

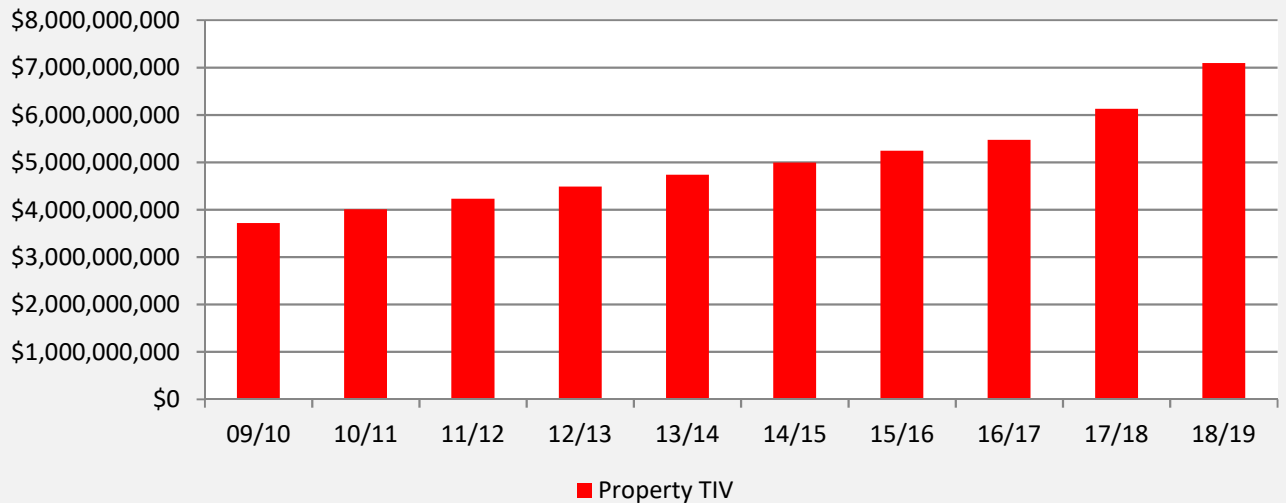
(a) Information not available

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

ACWA JPIA LIABILITY & WORKERS' COMP COVERED PAYROLL September 30,



ACWA JPIA PROPERTY TOTAL INSURED VALUES September 30,



**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, 2019, 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 **Month XX, 2020**.

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.

To the Board of Directors
Association of California Water Agencies
Joint Powers Insurance Authority
Page 2

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 CPAs
Sacramento, California

Month XX, 2020

ACWA JPIA
Proposed Operating Budget
for Fiscal Year 10/1/2020-21
May 14, 2020

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 ACWA spring conference, the proposed operating budget is presented for approval to the Board of Directors. The budget covers General & Administrative (G&A) Expenses for the fiscal year ending September 30, 2021.

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 two additional positions anticipated (Member Services Admin and Special Projects Manager). These positions were approved by the Executive Committee during fiscal year 2020.

Staff Employee Benefits decrease is due to a lower than anticipated expense for pension. In the previous budget \$600,000 was used. By comparison this year's budget reflects \$300,000 pension expense. The decrease in the pension expense is anticipated due to a smaller reduction of the discount rate by CalPERS.

The overall increase in the Operating Budget is 3.3% (line 36). Salaries remain the largest line item in the budget.

RECOMMENDATION

That the Finance & Audit Committee recommends that the Executive Committee approve the proposed Operating Budget for the fiscal year ending September 30, 2021, as presented, and forward to the Board of Directors for final approval at their next meeting.

ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS INSURANCE AUTHORITY

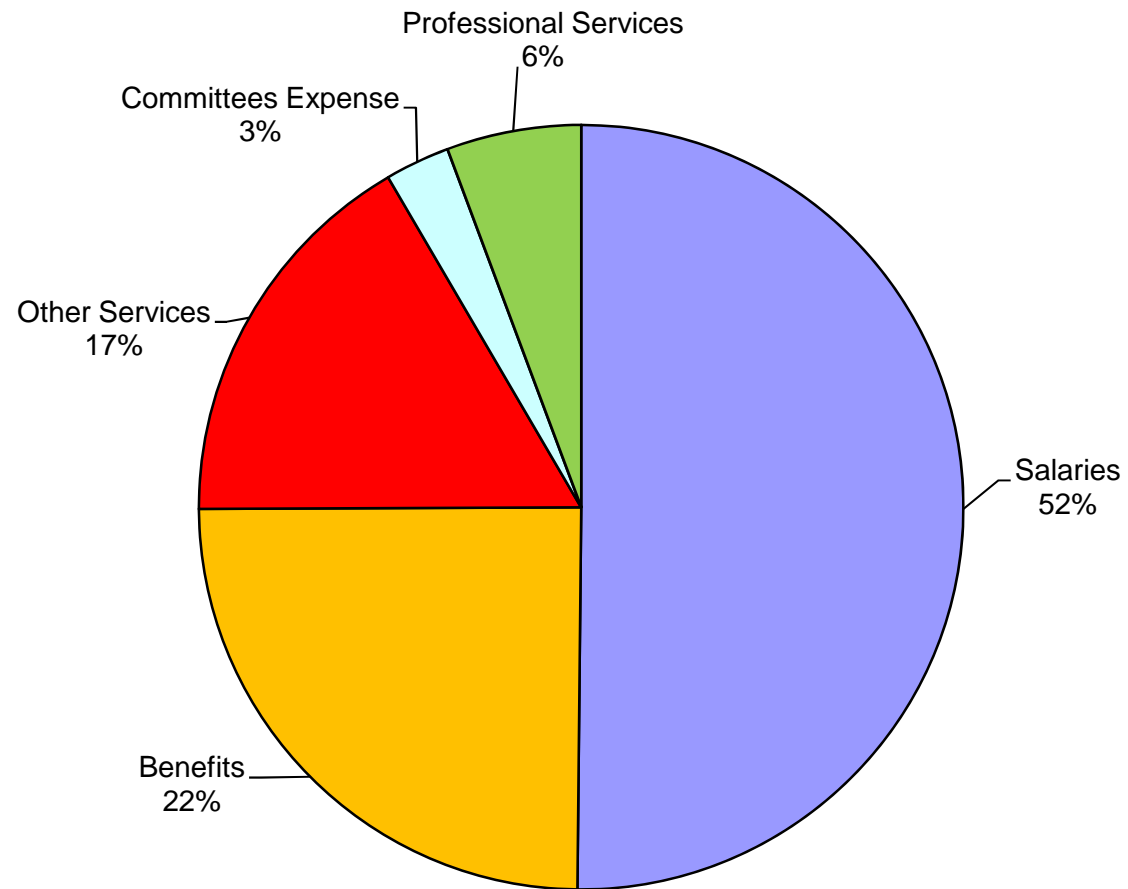
GENERAL & ADMINISTRATIVE EXPENSES

	BUDGETED FYE 9/30/19	ACTUAL FYE 9/30/19	DIFFERENCE ACT - BUD	APPROVED BUDGET FYE 9/30/20	PROPOSED BUDGET FYE 9/30/21	DIFFERENCE 2020 vs. 2021	% OF CHANGE 20 vs. 21
<u>ACWA/JPIA STAFF SERVICES</u>							
1 Staff Salaries & Temporary Services	\$ 4,991,001	\$ 4,984,019	\$ (6,982)	\$ 5,301,425	\$ 5,650,806	\$ 349,381	6.6%
2 Staff Employee Benefits	3,308,933	2,860,025	(448,908)	2,891,166	2,790,059	(101,107)	-3.5%
3 Office Buildings	116,000	117,410	1,410	115,000	119,000	4,000	3.5%
4 Postage and Freight	46,000	50,731	4,731	48,000	51,000	3,000	6.3%
5 Telephone Service	50,000	53,892	3,892	52,000	54,000	2,000	3.8%
6 JPIA Perspective Printing & Distribution	24,000	21,058	(2,942)	21,000	21,000	-	0.0%
7 Outside Printing	17,000	16,051	(949)	21,000	19,000	(2,000)	-9.5%
8 JPIA Office Insurance	9,000	18,361	9,361	10,000	19,000	9,000	90.0%
9 General Office Supplies	36,000	41,142	5,142	37,000	40,000	3,000	8.1%
10 Computer Equipment Software, Office Furniture	840,000	774,550	(65,450)	830,000	818,000	(12,000)	-1.4%
11 Dues, Subscriptions, & Misc. Publications	90,000	110,707	20,707	92,000	100,000	8,000	8.7%
12 Staff Ed/Training Seminars & Coursework Reimbs	60,000	77,183	17,183	65,000	72,000	7,000	10.8%
13 Depreciation on Capital Assets	206,000	218,147	12,147	204,000	200,000	(4,000)	-2.0%
14 Staff Travel Related Expenses	75,000	78,289	3,289	75,000	77,000	2,000	2.7%
15 Staff Risk Assessment Travel Related Expenses	42,000	29,157	(12,843)	42,000	36,000	(6,000)	-14.3%
16 Member Informational Workshops	70,000	121,237	51,237	65,000	115,000	50,000	76.9%
17 Lending Library	15,000	15,081	81	25,000	18,000	(7,000)	-28.0%
18 Member Safety & Loss Control Incentive Awards	16,000	10,223	(5,777)	66,000	116,000	50,000	75.8%
19 Total ACWA/JPIA Staff Services	10,011,934	9,597,263	(414,671)	9,960,591	10,315,865	355,274	3.6%
<u>COMMITTEES & BD. OF DIRECTORS' SERVICES</u>							
20 Executive Committee Member Expenses	145,000	149,514	4,514	220,000	152,000	(68,000)	-30.9%
21 Finance/Audit Committee & Committee Expenses	40,000	16,089	(23,911)	40,000	20,000	(20,000)	-50.0%
22 Semi-Annual ACWA Conf. & Bd of Directors' Expense	143,000	131,375	(11,625)	115,000	136,000	21,000	18.3%
23 Total Committees & Board of Directors' Services	328,000	296,978	(31,022)	375,000	308,000	(67,000)	-17.9%
<u>EXTERNAL CONSULTING AND PROF. SERVICES</u>							
24 Insurance Program Actuarial Analysis	20,000	22,500	2,500	20,000	24,000	4,000	20.0%
25 Consulting Services	10,000	13,251	3,251	5,000	8,000	3,000	60.0%
26 Occu-Med	90,000	92,215	2,215	90,000	95,000	5,000	5.6%
27 Target Solutions	130,000	129,701	(299)	130,000	132,000	2,000	1.5%
28 General Legal/Attorney Services	2,500	-	(2,500)	2,500	2,000	(500)	-20.0%
29 Specific Claims & Coverage Related Legal Fees	45,000	64,455	19,455	45,000	45,000	0	0.0%
30 External Claims Administration	210,000	282,160	72,160	230,000	275,000	45,000	19.6%
31 ACWA/JPIA Financial Audit	50,000	47,235	(2,765)	50,000	60,000	10,000	20.0%
32 Insurance Programs Claims Audits	0	-	(0)	-	-	0	0.0%
33 Personnel Consulting Services	-	-	-	0	0	0	0.0%
34 Total External Consulting / Professional Services	557,500	651,517	94,017	572,500	641,000	68,500	12.0%
35 PROGRAM DEVELOPMENT / CONTINGENCIES	-	-	-	-	-	0	0.0%
36 TOTAL GENERAL & ADMINISTRATIVE EXPENSES	\$ 10,897,434	\$ 10,545,758	\$ (351,676)	\$ 10,908,091	\$ 11,264,865	\$ 356,774	3.3%

ACWA JPIA
2019-2020 BUDGET WORK PAPERS - BENEFITS COMPARISON

					<u>PERCENT OF GROSS PAYROLL</u>			
	<u>PROPOSED 2019-2020</u>	<u>PROPOSED 2020-2021</u>	<u>DOLLAR DIFFERENCE</u>	<u>PERCENT CHANGE</u>	<u>BUDGETED 2019-2020</u>	<u>PROPOSED 2020-2021</u>	<u>DIFFERENCE</u>	<u>PERCENT CHANGE</u>
SALARIES	\$ 5,301,425	\$ 5,650,806	\$ 349,381	6.59%				
PERS	\$ 1,253,930	\$ 1,015,841	\$ (238,089)	-18.99%	23.65%	17.98%	-5.67%	-23.97%
MEDICARE	74,279	79,244	4,965	6.68%	1.40%	1.40%	0.00%	0.00%
MEDICAL	1,285,725	1,391,232	105,507	8.21%	24.25%	24.62%	0.37%	1.53%
DENTAL	46,187	50,455	4,268	9.24%	0.87%	0.89%	0.02%	2.30%
LIFE	42,942	53,224	10,282	23.94%	0.81%	0.94%	0.13%	16.05%
DISABILITY	44,952	54,203	9,251	20.58%	0.85%	0.96%	0.11%	12.94%
EMP.ASSIST.PROG.	1,410	1,601	191	13.55%	0.03%	0.03%	0.00%	0.00%
WORK COMP	54,240	57,815	3,575	6.59%	1.02%	1.02%	0.00%	0.00%
VISION	12,701	13,216	515	4.05%	0.24%	0.23%	-0.01%	-4.17%
OTHER	74,800	73,228	(1,572)	-2.10%	1.41%	1.30%	-0.11%	-7.80%
TOTAL STAFF EE BENEFITS	<u>\$ 2,891,166</u>	<u>\$ 2,790,059</u>	<u>\$ (101,107)</u>	-3.50%	54.5%	49.4%	-5.17%	-9.48%

ACWA JPIA
General & Administrative Expenses
Fiscal year September 30, 2021



■ Salaries

■ Benefits

■ Other Services

■ Committees Expense

■ Professional Services

ACWA JPIA
Captive Update
California Water Insurance Fund
May 14, 2020

BACKGROUND

At the November 26, 2018 meeting, the Board of Directors approved a resolution to proceed with forming a Captive Insurance Company. The Captive is a private company wholly owned by the JPIA, domiciled in the state of Utah.

CURRENT SITUATION

The California Water Insurance Fund (CWIF) began operations on October 1, 2019.

- JPIA ceded approximately \$19 million of expected losses and expenses to CWIF for the 2019-20 Liability Program policy year.
- Implementation of the CWIF Investment policy began January 2020.
- JPIA transferred \$12 million in capital to CWIF authorized by Board of Directors resolution.
- Next CWIF Board meeting is expected to be scheduled for a date during the Fall of 2020.

RECOMMENDATION

None, informational only.

JPIA MEETING & CONFERENCE CALENDAR – 2020

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MEETING DATES	BOARD OF DIRECTORS	EXECUTIVE	PERSONNEL	FINANCE & AUDIT	PROGRAMS				RISK MGMT	CAPTIVE CWIF
					Emp. Benefits	Liability	Property	Work Comp		
JAN 15			11:00 AM ONTARIO							
JAN 22		8:30 AM								
STRATEGIC PLANNING MARCH 4 TO 6 – PALM DESERT										
APRIL 10		10:00 AM ZOOM								
MAY 1		10:00 AM ZOOM								
MAY 14				10:00 AM ZOOM						
MAY 15		10:00 AM ZOOM								
MAY 31		10:00 AM ZOOM								
JUN 2			11:00 AM							
JUN 15		1:00 PM					10:00 AM		8:30 AM	
JUL 22		1:00 PM			9:00 AM					
JUL 27	1:30 PM	10:15 AM								
ACWA CONFERENCE JULY 28 TO 31 – MONTEREY										
AUG 24				1:00 PM		3:00 PM				
AUG 25		8:30 AM								
CAJPA CONFERENCE SEPTEMBER 15 TO 18 – SOUTH LAKE TAHOE CA										
OCT 7			11:00 AM ONTARIO							
OCT 22		8:30 AM								
Nov 30	1:30 PM	10:15 AM								
ACWA CONFERENCE DECEMBER 1 TO DECEMBER 4 – INDIAN WELLS										

**DATES AND TIMES SUBJECT TO CHANGE