YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

FINANCIAL STATEMENTS
June 30, 2016 and 2015

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
Woodland, California

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Yolo County Public Agency Risk
Management Insurance Authority
Woodland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Yolo County Public Agency Risk Management Insurance Authority as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Yolo County Public Agency Risk Management Insurance Authority'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 audits. We conducted our audits 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yolo County Public Agency Risk Management Insurance Authority, as of June 30, 2016 and 2015, and the changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 31, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 32, the Schedule of the Authority's Contributions on page 33, the Reconciliation of Claims Liability by Type of Contract on pages 35 and 36 and the Claims Development Information on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 20, 2016 on our consideration of Yolo County Public Agency Risk Management Insurance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yolo County Public Agency Risk Management Insurance Authority's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
October 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year 2015-2016

This section of Yolo County Public Agency Risk Management Insurance Authority's annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended June 30, 2016. Please read this document in conjunction with the accompanying basic financial statements.

YCPARMIA is a joint powers authority, and separate public entity, created in 1979 that oversees a risk sharing and management program for thirty (30) participating Yolo County public entities. The Authority has a governing board comprised of six voting governmental entities. In addition to a staff of seven, the Authority retains outside providers to act as Board Counsel, adjust workers' compensation claims, and conduct annual financial audits, claim audits, and actuarial studies. It is the stated mission of this Authority "to protect the members' resources from the impact of loss through a program of insurance coverage, prevention, education, training, and service." Member entities are assessed annual premium/cash contributions for participation in the Authority's programs and services.

While the annual financial audit has great value in confirming the accuracy of our accounting practices, it does not really reflect the fiscal performance of the Authority. <u>To best understand our year-end position there are three interrelated areas to consider</u>:

- The trending of our member's <u>premium/cash payments</u>;
- Our performance against the Board approved <u>budget</u>; and
- The <u>funded program reserve</u> levels of our programs.

Assuming adequate coverage, our members risk cost should be capped at the <u>premium/cash payments</u> that they make to YCPARMIA, plus any applicable claim deductibles. This allows them to budget for their risk exposure, and in "good years" to receive premium rebate credits. Premium history by program reflects that, after any Board approved premium rebates, the:

- Liability Program has seen essentially flat premiums for the last nine years;
- Fidelity Program has experienced flat premiums for the last eight years;
- Property Program, following five years of essentially flat premiums, has been trending upwards with a flat insuring rate applied to increasing property values; and
- Workers' Compensation Program, faced with medical and State legislated benefit inflation, has seen a recent upward trend in premium costs.

An analysis of performance against the Board approved budget requires some discussion. The most critical factor is that the biggest portion of our budget covers claims payments, which by definition are variable and uncertain, followed closely by excess coverage cost which is industry generated and largely outside our control. A major element of excess premium costs is increasing member payroll, a significant element in the excess premium formulas. The YCPARMIA budget has three basic sections:

- Revenue – which came in a bit lower than expected at 98.8% due to poor investment returns, and a budgeted rebate from our excess liability group that came in substantially lower than in recent years;
- Administrative and Service Expense – making up 13.8% of our budget, came in at budget at about 99.8% of its approved level; and
- Coverage Expense (excess premiums and claims costs) – which represents 86.2% of YCPARMIA's total budgeted expenses, came in at 88.4% of budget. This area of the budget is made up of three components:
  - Claims payments: Claims costs came in higher than expected in the Liability Program and Property Program, at expected for the Workers' Compensation program, and lower than expected for the Fidelity Program.
  - Excess coverage costs: an area of expense that is dependent on industry developments, and is largely out of our control, came in a bit under budget; and
  - Unbudgeted actuarial program reserve adjustments.

YCPARMIA obtains excess coverage above its self-insured retention (SIR) through membership in two excess public entity JPA's. Their premiums are determined by formulas that apply a "rate" to member "payroll." Recently member payroll has been dramatically exceeding member budgets – partly as a result of members transferring benefit costs to their employees with partially offsetting salary increases – cost neutral to our members, but driving increased excess premium costs for YCPARMIA.

The last element of our fiscal health deals with <u>funded program reserves, and dedicated retained earnings</u>. Accounting standards call for the Authority to book actuarially determined file reserves at expected (essentially a 55% confidence level). Our Board then sets aside restricted funds in our retained earnings to fund confidence margins (actuarially determined 80% confidence) and separate catastrophic funds. At the end of the fiscal year our:

- Fidelity Program is fully funded after a Board approved rebate;
- Property Program has fully funded program reserves, confidence margin, and catastrophic fund after a Board approved premium rebate.
- Liability Program has fully funded program reserves and confidence margin, but is only funded to 51% of the approved catastrophic fund; and
- Workers' Compensation Program has fully funded program reserves, confidence margin, and catastrophic fund after a Board approved rebate.

<u>In summary, for FY 2015-2016, YCPARMIA came in under budget, has fully funded program reserves and confidence margins, and but for the Liability Program, has fully funded catastrophic funds. The goal for the coming year is to maintain the funding levels in the fully funded programs, and to return the Liability Program to a fully funded position.</u>

DESCRIPTION OF FINANCIAL STATEMENTS AND FINANCIAL REPORTING

The financial statements consist of three parts – Management's Discussion and Analysis, the basic financial statements and supplementary information. Please note:

- The Statement of Net Position and the Statement of Revenue, Expenses and Changes in Net Position provide an indication of the Authority's financial health.
- The Statement of Net Position includes all of the Authority's assets and liabilities using the accrual basis of accounting and indicates net position available for future purposes.
- The Statement of Revenues, Expenses and Changes in Net Position report all revenues and expenses used by operating activities, as well as other cash sources such as investment income.
- More detailed data is available in the notes to the financial statements section.
- This report, in addition to the basic financial statements, contains other supplementary information including a reconciliation of claims liabilities and claims development information as required elements.

The YCPARMIA Board:

- Approves an annual budget prior to the start of each fiscal year.
- Accepts and approves annual financial audits, claims audits, and actuarial studies.
- Receives monthly in-house accounting reports including Budget vs. Actual, Trial Balance and Balance Sheet.
- Receives a quarterly Statement of Revenues, Expenses and Retained Earnings, including restricted funds, on each program.
- Sets policy to fund at an actuarial determined 70% confidence level and maintains designated net assets at a confidence margin in excess of 80% of its program loss reserves for the liability and workers' compensation programs.
- Sets policy to maintain designated net assets as a catastrophic fund for each program.
- Sets funding and confidence margins for the Fidelity and Property programs.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

As of	June 30, 2016	June 30, 2015	June 30, 2014
Current Assets	$ 6,418,121	$ 6,713,647	$ 7,498,638
Non-current Assets			
Deposits	305,000	305,000	305,000
Investments	10,824,392	9,568,622	8,782,590
Capital Assets	124,622	136,154	153,482
Total Non-current Assets	11,254,014	10,009,776	9,241,072
Total Assets	17,672,135	16,723,423	16,739,710
Deferred Outflows of Resources	102,254	115,185	-
Current Liabilities	3,830,939	4,141,682	4,275,282
Non-current Liabilities	10,680,768	9,898,789	10,441,494
Other postemployment benefits	648,342	645,250	645,250
Total Liabilities	15,160,049	14,685,721	15,362,026
Deferred Inflows of Resources	92,689	187,941	-
Net Position			
Investment in capital assets	124,622	136,154	153,482
Unrestricted	3,045,371	1,828,792	1,224,202
Total Net Position	$ 3,169,993	$ 1,964,946	$ 1,377,684
For the Year Ending	June 30, 2016	June 30, 2015	June 30, 2014
Operating Revenues	$ 8,816,431	$ 8,417,634	$ 7,838,326
Investment Revenues	303,648	143,728	176,235
Total Revenues	9,120,079	8,561,362	8,014,561
Total Expense	7,915,032	7,224,216	8,709,978
Change in Net Position	1,205,047	1,377,684	(695,417)
Cumulative Effect of GASB 68	-	(749,884)	-
Net Position, beginning of year restated	1,964,946	627,800	2,073,101
Net Position, end of year	$ 3,169,993	$ 1,964,946	$ 1,377,684

LIABILITY PROGRAM:

At the primary level (claims under $500K per occurrence) this program has had a couple of “bad years” due to significant claims activity, but recently the trends appear to have reversed to a more normal cycle. Excess coverage, up to $40M per occurrence, is provided through membership in the California Joint Powers Risk Management Authority.

- Current total member premiums have been flat for the past nine years (and will be again in 2016-2017);
- Member costs per $100 of payroll, at about $1.42, are 56% of our 1995 figures ($2.52 per $100 of payroll);

- Program reserves, and confidence margin are fully funded; the catastrophic fund is at 51% of the Board approved level. The program has experienced a significant increase in litigation costs over the last two years due to a spike triggered by a half dozen large lawsuit, but recently appears to have returned to a more normal pattern.;
- Total Coverage limits, subject to approved sub limits, have increased from $10M in 1995 to $40M per occurrence today, and are applied to broader coverage that includes employment liability and pollution liability (subject to sub-limits); We have also added coverage for cyber liability.
- Claim frequency is down, but severity remains a concern.

WORKERS COMPENSATION PROGRAM:
YCPARMIA, subject to a $1K per claim member deductible, pools losses up to $500K per occurrence; excess coverage to statutory limits is provided through membership in CSAC-EIA. This program continues to face inflationary pressures generated by State Legislative benefit increases and medical cost increases. On the positive side, our claims administrator is providing excellent service, and our medical provider network continues to provide substantial benefit.

- Due to aggressive claims handling, and improving trends in claim severity and frequency, we have seen a dramatic reduction in actuarially determined program reserves which have improved the overall financial health of our program.
- After a number of years of funding deficits – generated by Board action in the face of member budget restraints, we have again generated a net position surplus that allowed the Board to declare a $300K premium rebate.
- Member cost per $100 of payroll is $2.58 or about 38% less than it was in FY '95-96 ($4.14 per $100 of payroll); Costs are trending higher, partially in response to legislated benefit inflation.
- Claim frequency has been essentially flat for the last three years.
- Claim severity, as measured by indemnity losses, has been flat.
- Benefits paid for injured workers averaged $239,019 per month compared to the previous fiscal year's $232,266, and to fiscal year 13/14 at $195,741.
- Most importantly, future reserves, after trending upward significantly in recent years, ended the fiscal year at $6.1M – down from our historic high of $9.1M in 2014.

PROPERTY / BOILER AND MACHINERY / PHYSICAL DAMAGE PROGRAM:
This combined program, due to the small number of claims and low retention level, is not part of our annual actuarial study. Our retention level is $25K; there is a $20K deductible for auto physical damage. Excess coverage is under a shared limits policy through membership in CSAC-EIA.

- After two years of increased frequency and severity of losses we returned to a more normal cycle.
- The program, after a Board approved rebate of $25K, returned to fully funded program reserves, confidence margin and catastrophic fund...
- Declared property values have increased from $260M in 1995 to just over $1B at the end of this fiscal year (almost a 300% increase).
- All risk coverage continues to include flood and partial earthquake, along with some additional coverages for risks unique to public entities.

- With the world insurance market hardening, the excess group, in an effort to mitigate premium increases, has placed sub limits on some risks, and increased the vehicle physical damage deductible.

FIDELITY PROGRAM:
The Fidelity Program, fully funded after a Board approved premium rebate, covers the dishonest acts of all employees, and elected officials; it is fully funded. Member cost is less than $0.0150 per $100 of payroll, or about the same as it was in 1995; during that time the coverage limit per claim has doubled to $2M.

OTHER PROGRAMS:
All other programs are maintained on a pass-through basis, with participating members reimbursing their premium costs after the Authority has purchased various coverages at their direction, and on their behalf.

VARIATION BETWEEN BUDGET AND ACTUAL AMOUNTS
As discussed above, YCPARMIA's performance against budget is significantly impacted by unbudgeted, but inherent/reoccurring, expenses in the form of actuarial adjustments to the program claim reserves liabilities, and any premium rebate/credits that might be declared by the Board. These numbers can have a substantial effect on the bottom line of the Authority. A comparison of actual budget results for the years ending June 30, 2014, June 30, 2015 and June 30, 2016 follows:

	Budget	Actual	Variance
Revenues:			
Contributions	$8,618,254	$8,620,049	$1,795
Investment	200,000	303,648	103,648
Other Revenue			
Retrospective Premium Rebate	200,000	196,382	(3,618)
Total Revenues	**$9,018,254**	**$9,120,079**	**$101,825**
Expenses:			
General and Administrative	$1,105,078	$1,008,581	$96,497
Insurance premiums and Claims	6,605,000	6,466,904	138,096
Coverage General and Administrative	599,500	754,476	(154,976)
Other Post Employment Benefits	15,000	3,092	11,908
Actuarial Provision for Claims and Adjustment Expenses		(653,021)	653,021
Rebate/Credits		335,000	
Total Expenses	**$8,324,578**	**$7,915,032**	**$744,546**
Change in Net Position		**$1,205,047**	

CONCLUSION

Fiscal Year 2015-2016 was a "good" year for YCPARMIA. All of the programs are financially healthy with fully funded program reserves and confidence margins. The catastrophic margins, with the exception of Liability, are also fully funded. The Board is again approving premium rebates to help offset member premium costs from our net position surplus

We remain confident that YCPARMIA is well positioned to respond to the risk management needs of our member entities, and that the Authority will continue to provide a stable risk financing mechanism for its members.

Jeffrey Tonks 10/05/2016
CEO/Risk Manager

FINANCIAL STATEMENTS

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 4,845,633	$ 5,704,376
Receivables:		
Member agencies	67,769	24,956
Interest	49,510	40,414
Investments maturing within one year (Note 3)	1,454,398	918,711
Prepaid insurance	811	25,190
Total current assets	6,418,121	6,713,647
Deposits	305,000	305,000
Investments, less portion maturing within one year (Note 3)	10,824,392	9,568,622
Capital assets:		
Premises and equipment, net (Note 4)	124,622	136,154
Total non-current assets	11,254,014	10,009,776
Total assets	17,672,135	16,723,423
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – pensions (Note 10)	102,254	115,185
LIABILITIES		
Current liabilities:		
Accounts payable	8,711	50,450
Rebate credits payable	335,000	4,000
Payroll payable	58,242	58,246
Current portion of unpaid claims and claim adjustment expenses, net of deductible recoveries:		
Liability and workers' compensation (Note 6)	3,400,000	4,000,000
Property and other	28,986	28,986
Total current liabilities	3,830,939	4,141,682
Other postemployment benefits (Note 5)	648,342	645,250
Net pension liability (Note 10)	858,293	671,635
Unpaid claims and claim adjustment expenses net of deductible recoveries and current portion:		
Liability and workers' compensation (Note 6)	9,174,133	9,227,154
Total non-current liabilities	10,680,768	10,554,039
Total liabilities	14,511,707	14,685,721
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – pensions (Note 10)	92,689	187,941
NET POSITION		
Net position (Note 7):		
Net invested in capital assets	124,622	136,154
Unrestricted	3,045,371	1,828,792
Total net position	$ 3,169,993	$ 1,964,946

See accompanying notes to financial statements.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Member contributions	$ 8,620,049	$ 8,278,813
Retrospective premium adjustment	196,382	138,821
Total operating revenues	8,816,431	8,417,634
Operating expenses:		
Provision for claims and claim adjustment:		
Liability and workers' compensation (Note 6)	3,172,936	2,917,071
Property and other	45,785	181,000
Other postemployment benefits (Note 5)	3,092	-
Reinsurance premiums (Note 8)	2,595,162	2,418,178
Rebate credits	335,000	23,000
General and administrative	1,763,057	1,684,967
Total operating expenses	7,915,032	7,224,216
Operating income	901,399	1,193,418
Non-operating revenues:		
Investment income	187,048	170,321
Net change in fair value of investments	116,600	(26,593)
Total non-operating revenues	303,648	143,728
Change in net position	1,205,047	1,337,146
Net position, beginning of year	1,964,946	1,377,684
Cumulative effect of GASB 68 implementation	-	(749,884)
Net position, beginning of year, as restated	1,964,946	627,800
Net position, end of year	$ 3,169,993	$ 1,964,946

See accompanying notes to financial statements.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from members and others	$ 8,773,618	$ 8,613,569
Cash paid for claims and settlements	(3,871,742)	(4,312,411)
Cash paid for reinsurance	(2,595,162)	(2,418,178)
Cash paid to suppliers and employees	(1,657,600)	(1,830,331)
Cash paid for rebate credits	(4,000)	(23,000)
Net cash provided by operating activities	645,114	29,649
Cash used in capital and related financing activities:		
Purchase of furniture and equipment	(6,952)	(1,591)
Cash flows from investing activities:		
Investments purchased	(5,425,722)	(4,124,730)
Investments sold and matured	3,750,865	3,966,965
Interest received	177,952	183,311
Net cash (used in) provided by investing activities	(1,496,905)	25,546
Net (decrease) increase in cash and cash equivalents	(858,743)	53,604
Cash and cash equivalents, beginning of year	5,704,376	5,650,772
Cash and cash equivalents, end of year	$ 4,845,633	$ 5,704,376
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 901,399	$ 1,193,418
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,484	18,919
(Increase) decrease in:		
Receivables - member agencies	(42,813)	195,935
Prepaid insurance	24,379	(25,190)
Deferred outflows of resources	12,931	(11,663)
Increase (decrease) in:		
Accounts payable and payroll payable	(41,743)	(133,600)
Rebate credit payable	331,000	-
Other postemployment benefits	3,092	-
Net pension liability	186,658	(181,771)
Unpaid claims and claim adjustment expenses	(653,021)	(1,214,340)
Deferred inflows of resources	(95,252)	187,941
Total adjustments	(256,285)	(1,163,769)
Net cash provided by operating activities	$ 645,114	$ 29,649
Supplemental disclosures of cash flow information:		
Change in fair value of investments	$ 116,600	$ (26,593)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Yolo County Public Agency Risk Management Insurance Authority (the “Authority”) is a Joint Powers Authority (JPA) that provides pooled risk management services to thirty public entities located in Yolo County. The members, including the county, four cities, a school district, and various other special districts participate in pooled programs covering liability, workers’ compensation, property, and fidelity; other more unique exposures are addressed through the group purchase of commercial insurance. A variety of risk management, claims administration, and loss prevention services are also offered to the members. In addition to protection afforded by participation in YCPARMIA’s primary pool, the Authority’s membership in the California Joint Powers Risk Management Authority (CJPRMA) for liability, and CSAC Excess Insurance Authority (CSAC-EIA) for property and workers’ compensation provides higher excess limits above the Authority’s self-insurance retention (SIR).

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting in accordance with governmental accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses are recognized when the obligation is incurred.

Cash Equivalents: Cash equivalents are investments readily convertible into known amounts of cash with original maturities at date of purchase of less than three months.

Fair Value of Pooled Investments: The Authority records its investment in the Local Agency Investment Fund (LAIF) at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and change in net position. The fair value of investments, including the Local Agency Investment Fund as an external investment pool, at June 30, 2016 and 2015 approximated their carrying value.

Investments: Investments are reported in the accompanying statement of net position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Net change in fair value of investments include change in fair value and any gains or losses realized upon the liquidation, maturity or sale of investments.

Deposits: Deposits represent amounts advanced to companies for payment of claims. They are classified as long-term assets.

Premises and Equipment: Premises and equipment are capitalized for amounts over $1,000 and are carried at cost less accumulated depreciation. Depreciation is computed over respective estimated lives ranging from 3 to 30 years using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized in income for the period. Maintenance and repairs are charged to expense as incurred.

Revenue Recognition: Member contributions are recognized as revenue when earned based upon the coverage period of the related insurance. Operating revenues and expenses include all activities necessary to achieve the objectives of the Authority. Non-operating revenues include investment activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows or Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The Authority has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The Authority has recognized a deferred inflow of resources related to the pension liability reported which is in the statement of net position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous 2.5% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund C and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Pool. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Provision for Unpaid Claims and Claim Adjustment Expenses: The Authority's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims 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. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. The Authority increases the liability for allocated claim adjustment expenses. Because actual claim costs depend on such complex factors as inflation, changes in doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for coverages such as general liability and workers' compensation. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of unpaid claims is based on current year payments and known claim information at the end of the period.

Member Participation: Under the Authority's Joint Powers Agreement, members must make a three-year commitment to participate in the Authority. Mid-term cancellation or withdrawal is not permitted and notice must be given to the Authority six months in advance. Withdrawing members are not entitled to a refund, nor does it terminate their responsibility to contribute to their share of annual charges.

Income Taxes: The Authority is an organization comprised of public agencies, and is exempt from Federal income and California franchise taxes. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification: Certain prior year balances have been reclassified to conform with current year financial statement presentation. Reclassification had no effect on prior year change in net assets or net position.

New Accounting Pronouncements: In February, the GASB issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also enhances fair value application guidance and related disclosures in order to provide information to financials statement users about the impact of fair value measurements on a government's financial position.

In December 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*. GASB 79 permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes and provides guidance that will allow many pools to continue to qualify for amortized cost accounting. Existing standards provide that external investment pools may measure their investments at amortized cost for financial reporting purposes if they follow substantially all of the provisions of the SEC's Rule 2a7. Likewise, participants in those pools are able to report their investments in the pool at amortized cost per share.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
Cash and cash equivalents:		
Cash on hand	$ 100	$ 100
Cash in bank	877,480	693,079
Money market	17,281	34,022
Cash in Local Agency Investment Fund	3,950,772	4,977,175
Total cash and cash equivalents	$ 4,845,633	$ 5,704,376

Custodial Credit Risk – Cash in Bank: The Authority limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Interest-bearing cash balances held in banks are insured up to $250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the Authority's accounts was $877,480, and the bank balances were $1,135,673, of which $885,673 was uninsured but collateralized. At June 30, 2015, the carrying amount of the Authority's accounts was $693,079, and the bank balances were $1,013,536, of which $763,536 was uninsured but collateralized.

Money Market: The Authority has a portion of its cash and equivalents in a money market account at a third party Custodian. The money market account is not covered by FDIC insurance, but is fully collateralized.

(Continued)

NOTE 3 – INVESTMENTS

Local Agency Investment Fund: The Authority is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State of California and invests the cash. The Authority's investment in the pool is reported in the accompanying financial statements based upon ACCEL's pro-rata share of the amortized cost as provided by LAIF in proportion to the amortized cost of entire LAIF portfolio. The funds held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds may be withdrawn at any time up to the total amount on deposit with LAIF. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2016, this fund was yielding approximate interest rate of .55% annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814.

Investments: Investments at June 30, 2016 and 2015 are reported at fair value and consisted of the following:

	Rating	2016	2015
Investments:			
US Government sponsored entities and agencies	AA+	$ 5,393,984	$ 4,456,334
Commercial Paper	A-1+	244,396	165,000
Commercial Paper	A-1	-	209,790
Mortgages	AAA	869,166	907,882
US Corporate Notes	AAA	342,768	-
US Corporate Notes	AA+	450,523	255,537
US Corporate Notes	AA	75,380	310,625
US Corporate Notes	AA-	750,030	445,116
US Corporate Notes	A+	1,097,216	1,016,140
US Corporate Notes	A	427,765	615,582
US Corporate Notes	A-	10,077	-
US Treasury	TSY	2,617,485	2,105,327
Total investments		$ 12,278,790	$ 10,487,333

Investment security ratings reported as of June 30, 2016 and 2015 are defined by Standard & Poors. Securities of the United States Treasury (TSY) are not rated for credit worthiness as they are fully backed by the United States Government.

(Continued)

NOTE 3 –INVESTMENTS (Continued)

The following presents information about the Authority's assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015, and indicates the fair value hierarchy of the valuation techniques utilized by the Authority to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

The Authority is required or permitted to record the following assets at fair value on a recurring basis:

	2016			
Description	Fair Value	Level 1	Level 2	Level 3
US Government sponsored entities and agencies	$ 5,393,984	$ -	$ 5,393,984	$ -
Mortgages	869,166	-	869,166	-
Commercial paper	244,397	-	244,397	-
US Corporate notes	3,153,758	-	3,153,758	-
Treasury	2,617,485	-	2,617,485	-
	$ 12,278,790	$ -	$ 12,278,790	$ -

	2015			
Description	Fair Value	Level 1	Level 2	Level 3
US Government sponsored entities and agencies	$ 4,456,334	$ -	$ 4,456,334	$ -
Mortgages	907,882	-	907,882	-
Commercial paper	374,790	-	374,790	-
US Corporate notes	2,643,000	-	2,643,000	-
Treasury	2,105,327	-	2,105,327	-
	$ 10,487,333	$ -	$ 10,487,333	$ -

Valuation approach – The Authority’s investments are generally classified in Level 2 of the fair value hierarchy because they are valued using broker or dealer quotations or alternative pricing sources with reasonable level of price transparency. The types of investments valued based on observable inputs includes US Government sponsored entites and agencies, mortgages, commercial paper, US corporate notes and treasury are classified within level 2 of the fair value hierarchy.

The Authority had no non-recurring assets and no liabilities at June 30, 2016 which were required to be disclosed using the fair value hierarchy.

(Continued)

NOTE 3 –INVESTMENTS (Continued)

Investment Interest Rate Risk: The Authority does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016 and 2015, the Authority had no investments with maturity dates beyond five years as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2016 and 2015 consist of the following:

2016

		Maturity	
	Fair Value	Less than One Year	Greater than One Year
Investments maturities:			
US Government sponsored entities and agencies	$ 5,393,984	$ 918,619	$ 4,475,365
Mortgages	869,167	-	869,167
Commercial paper	244,396	244,396	-
US Corporate notes	3,153,758	291,383	2,862,375
Treasury	2,617,485	-	2,617,485
	$ 12,278,790	$ 1,454,398	$ 10,824,392

2015

		Maturity	
	Fair Value	Less than One Year	Greater than One Year
Investments maturities:			
US Government sponsored entities and agencies	$ 4,456,334	$ 145,499	$ 4,310,835
Mortgages	907,882	161,807	746,075
Commercial paper	374,790	374,790	-
US Corporate notes	2,643,000	236,615	2,406,385
Treasury	2,105,327	-	2,105,327
	$ 10,487,333	$ 918,711	$ 9,568,622

Investment Credit Risk: The Authority does not have a formal investment policy that limits its investment choices other than the limitations of state law.

NOTE 3 – INVESTMENTS (Continued)

Concentration of Investment Credit Risk: The Authority does not place limits on the amount it may invest in any one issuer. At June 30, 2016 and 2015, the Authority had the following investments that represent more than five percent of the Authority's net investments:

	2016	2015
Federal National Mortgage Association	17%	16%
Federal Home Loan Mortgage Co.	11%	13%
Federal Home Loan Bank	9%	8%
United States Treasury Notes	21%	20%
Federal Farm Credit Bank	5%	4%

NOTE 4 – PREMISES AND EQUIPMENT

Premises and equipment at June 30, 2016 and 2015, consisted of the following:

	2016	2015
Non-Depreciable:		
Land	$ 93,005	$ 93,005
Depreciable:		
Furniture and equipment	195,410	188,458
Building	356,631	356,631
	645,046	638,094
Less accumulated depreciation	(520,424)	(501,940)
	$ 124,622	$ 136,154

Activity for premises and equipment for the years ended June 30, 2016 and 2015 included the following:

	2016	2015
Premises and equipment, net, beginning of year	$ 136,154	$ 153,482
Purchases, furniture and equipment	6,952	1,591
Depreciation	(18,484)	(18,919)
Premises and equipment, net, end of year	$ 124,622	$ 136,154
Accumulated depreciation, beginning of year	$ (501,940)	$ (483,021)
Depreciation expense	(18,484)	(18,919)
Accumulated depreciation, end of year	$ (520,424)	$ (501,940)

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Authority provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the PERS membership plan, which covers both active and qualified retired members, along with a dental plan. Benefit provisions are established by the Board of Directors. There is no separate report issued for the defined benefit healthcare plan.

Funding Policy: The Authority's Board of Directors approved funds in the amount of $15,000 to be set aside in the current year. The Board will review the funding requirements and policy annually.

Annual OPEB Cost and Net OPEB Obligation: The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). For this single-employer plan, the Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Cod. Sec. P50.108-109 for employers in plans with fewer than one hundred total Plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in its net OPEB obligation to the Retiree Health Plan:

	2016	2015
Annual required contribution	$ 45,417	$ 33,022
Interest on net OPEB obligation	19,358	19,358
Adjustment to annual required contribution	(29,491)	(20,892)
Annual OPEB cost (expense)	35,284	31,488
Contributions made	32,192	31,488
Increase in net OPEB obligation	3,092	-
Net OPEB obligation - beginning of year	645,250	645,250
Net OPEB obligation - end of year	$ 648,342	$ 645,250

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 is as follows:

Fiscal Year Ended	Annual OBEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 18,371	89.0%	$ 645,250
June 30, 2015	$ 31,488	100.0%	$ 645,250
June 30, 2016	$ 35,284	91.2%	$ 648,342

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress: As of June 30, 2016 and 2015, the accrued liability for benefits was $637,382 and $605,796, respectively, all of which is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

The calculation of the Authority's other postemployment benefits cost is calculated as follows:

- Health (capped at $415/mo) and dental ($88/mo) costs represent the total monthly expense per retiree of $503.

The number of employees annually drawing these benefits is determined as follows:

- Current retirees drawing benefits, plus potential retirees (assuming a retirement age of 62).
- Capped at life expectancy based on mortality tables.
- The result, using present staffing, projects out over a 30 year average to 3.933 eligible retirees per year, or an annual cost of $23,691.

(Continued)

NOTE 6 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Liability and Workers' Compensation Programs

	2016	2015
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 13,227,154	$ 14,441,494
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	4,205,526	4,196,459
Change in provision for covered events of prior fiscal years	(1,032,590)	(1,279,388)
Total incurred claims and claim adjustment expenses	3,172,936	2,917,071
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	578,218	299,343
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	3,247,739	3,832,068
Total payments	3,825,957	4,131,411
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 12,574,133	$ 13,227,154

The components of the unpaid claims and claim adjustment expenses for the Liability and Workers' Compensation Programs as of June 30, 2016 and 2015 were as follows:

	2016	2015
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 13,730,930	$ 14,359,217
Anticipated deductible recoveries	(1,156,797)	(1,132,063)
	12,574,133	13,227,154
Current portion	(3,400,000)	(4,000,000)
	$ 9,174,133	$ 9,227,154

These liabilities are reported at their present value using an expected future investment yield assumption 2.5 percent for June 30, 2016 and 2015. The undiscounted liabilities are $13,793,479 and $14,487,862 at June 30, 2016 and 2015, respectively.

See required supplementary information on pages 32 - 36.

NOTE 7 – NET POSITION

By Board policy, the Authority creates two restricted funds in its equity designed to add to the economic stability and flexibility of the Authority. The "confidence margin" is designed to increase program reserves above expected, while the "catastrophic fund" is intended to protect the Authority against unanticipated and/or unbudgeted expenses caused by large losses or sudden shifts in claims frequency or severity.

Confidence Margin: The confidence margins for the Workers' Compensation and Liability Programs are set at an actuarially determined level in excess of 80% of the ultimate losses. The Fidelity and Property/Boiler and Machinery Programs designated amounts are determined by Board policy.

	June 30, 2016	June 30, 2015	Funding Level
Liability Program	$ 642,380	$ 870,715	Fully funded
Workers Compensation Program	$ 891,223	$ 1,004,166	Fully funded
Fidelity Program	$ 25,000	$ 25,000	Fully funded
Property/Boiler and Machinery Program	$ 95,000	$ 65,000	Fully funded

Catastrophic Fund: The catastrophic funds for all programs are set by Board policy.

	June 30, 2016	June 30, 2015	Funding Level
Liability Program	$ 585,816	$ 284,911	Deficit
Workers Compensation Program	$ 1,500,000	$ 543,000	Fully funded
Fidelity Program	$ 25,000	$ 25,000	Fully funded
Property/Boiler and Machinery Program	$ 65,000	$ 65,000	Fully funded

NOTE 8 – REINSURANCE PREMIUMS

The Authority enters into reinsurance agreements, whereby it cedes various amounts of risk to other insurance companies. The Authority had the following self-insured retention levels for each of its programs as follows:

	Liability	Workers' Compensation	Property
Prior to July 1, 1986	$ 350,000	$ 200,000	$ 25,000
July 1, 1986 to June 30, 1989	$ 350,000	$ 250,000	$ 25,000
July 1, 1989 to June 30, 1990	$ 500,000	$ 250,000	$ 25,000
July 1, 1990 to December 31, 2003	$ 500,000	$ 300,000	$ 25,000
January 1, 2004 to June 30, 2016	$ 500,000	$ 500,000	$ 25,000

(Continued)

NOTE 8 – REINSURANCE PREMIUMS (Continued)

Excess coverage for workers' compensation is provided up to statutory limits. Excess liability coverage is provided up to $40 million per occurrence. Excess property coverage is provided up to $600 million per occurrence. All coverages are subject to the self-insured retention levels and a deductible for each member.

Reinsurance premiums incurred for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Property and other	$ 430,674	$ 432,638
Liability	1,209,678	1,118,678
Workers' compensation	954,810	866,862
	$ 2,595,162	$ 2,418,178

NOTE 9 – DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salaries until future years. Participants can elect to contribute 25% of their annual compensation, not to exceed $17,500. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. The plan assets are held in trust for the exclusive benefit of plan participants and their beneficiaries and, therefore, are excluded from the accompanying financial statements.

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND

General Information about the Public Employer’s Retirement Fund

Plan description: The Authority contributes to the Miscellaneous 2% at 62 Risk Pool and the Miscellaneous 2% at 55 Risk Pool under the California Public Employees’ Retirement System (CalPERS) California Employer’s Retirement Fund C (PERF C), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf

Benefits provided: The benefits for the defined benefit plans 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. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the Pool, are credited with a market value adjustment in determining contribution rates.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members – Under Miscellaneous 2% at 55, the member contribution rate was 8.0 percent of applicable member earnings for fiscal year 2015-16. Under Miscellaneous 2% at 62, the member contribution rate was 6.25 percent of applicable member earnings for fiscal year 2015-16.

Employers – The effective employer contribution rate was 17.65 percent of applicable member earnings.

For the years ended June 30, 2016, 2015 and 2014, the Authority's annual pension cost of $96,356, $115,185 and $101,128, respectively and the Authority contributed to CalPERS for the fiscal years ending June 30, 2016, 2015 and 2014 were $96,356, $115,185, and $101,128, respectively.

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

At June 30, 2016, the JPA reported a liability of $858,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The JPA's proportion of the net pension liability was based on a projection of the JPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating school JPAs, actuarially determined. At June 30, 2015, the JPA's proportion was 0.0313 percent, which was an increase of 0.0213 percent from its proportion measured as of June 30, 2014.

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

For the year ended June 30, 2016 and 2015, the JPA recognized pension expense of $200,693 and $5,493, respectively. At June 30, 2016, the JPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,898	$ -
Changes of assumptions	-	55,801
Net differences between projected and actual earnings on investments	-	27,974
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	8,914
Contributions made subsequent to measurement date	96,356	-
Total	$ 102,254	$ 92,689

At June 30, 2015, the JPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	174,570
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	13,371
Contributions made subsequent to measurement date	115,185	-
Total	$ 115,185	$ 187,941

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

At June 30, 2016, $96,356 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30,		
2017	$	(38,996)
2018	$	(38,996)
2019	$	(34,540)
2020	$	25,741

Actuarial methods and assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	1997 to 2007
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	3.00%
Post-retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2007, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

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

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount rate: At June 30, 2016 and 2015, the discount rate used to measure the total pension liability was 7.65 and 7.50 percent, respectively. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

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

(Continued)

NOTE 10 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

Sensitivity of the JPA's proportionate share of the net pension liability to changes in the discount rate. For the year ended June 30, 2016 and 2015, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 7.65 and 7.50 percent, respectively, as well as what the JPA's proportionate share of the net pension liability 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:

	For the year ended June 30, 2016		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
JPA's proportionate share of the net pension liability	$ 1,439,418	$ 858,293	$ 378,508

	For the year ended June 30, 2015		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
JPA's proportionate share of the net pension liability	$ 1,097,893	$ 671,635	$ 317,880

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 – JOINT POWERS AGREEMENT

The Authority participates in two joint powers agreements with California Joint Powers Risk Management Authority (CJPRMA) and CSAC Excess Insurance Authority (CSAC EIA). The relationship between the Authority and the JPAs is such that the JPAs are not component units of the Authority for financial reporting purposes.

CJPRMA arranges for and provides excess liability coverage up to $40 million less the Authority's self-insured retention. CSAC EIA arranges for and provides excess property coverage up to $600 million less the Authority's self-insured retention. CSAC EIA also arranges for and provides excess workers' compensation coverage for losses in excess of $500,000 per occurrence and up to statutory limits. The joint powers agreements are governed by boards of directors consisting of representatives of the member agencies. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member agency pays a premium commensurate with the amount of coverage requested. As a member of the JPAs, the Authority is entitled to retrospective premium adjustments for those claim years where costs were less than expected. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

(Continued)

NOTE 11 – JOINT POWERS AGREEMENT (Continued)

Condensed financial information for the fiscal year ended June 30, 2015 (the most current information available) is as follows:

	CJPRMA	CSAC EIA
Total assets	$ 92,547,224	$ 642,949,305
Deferred outflows of resources	76,270	-
Total liabilities	49,412,812	530,542,530
Deferred inflows of resources	171,508	-
Net position	$ 43,039,174	$ 112,406,645
Revenues	$ 13,837,403	$ 621,242,391
Expenses	16,272,807	619,703,360
Change in net position	$ (2,435,404)	$ 1,539,031

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/09	$ -	$ 513,940	$ 513,940	0%	$ 524,285	98.0%
7/1/12	$ -	$ 605,796	$ 605,796	0%	$ 557,881	108.6%
7/1/15	$ -	$ 637,382	$ 637,382	0%	$ 572,000	111.4%

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	2015	2016
Authority's proportion of the net pension liability	0.0100%	0.0313%
Authority's proportionate share of the net pension liability	$ 631,635	$ 858,293
Authority's covered-employee payroll	$ 583,554	$ 646,526
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	115.0%	118.5%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	79.9%

The amounts presented for each fiscal year were determined as of year-end that occurred one year prior.

All years prior to 2015 are not available.

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 115,185	$ 96,356
Contributions in relation to the contractually required contribution	(115,185)	(96,356)
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll	$ 646,526	$ 545,926
Contributions as a percentage of covered-employee payroll	17.81%	17.65%

All years prior to 2015 are not available.

NOTE 1 – PURPOSE OF SCHEDULE

A - Schedule of Other Postemployment Benefits Funding Progress

The schedule of Funding Progress presents multi-year trend information, which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

B – Schedule of the Authority's Proportionate Share of the Net Pension Liability

The Schedule of the Authority's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the Authority's Net Pension Liability. There is a requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years for which information is available.

C – Schedule of the Authority's Contributions

The Schedule of Authority's Contributions is presented to illustrate the Authority's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years for which information is available.

D – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

E – Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

The schedule below presents the changes in claims liabilities for the past two years of the Authority's Liability Program:

	2016	2015
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 3,532,861	$ 3,335,598
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	1,384,017	1,420,702
Change in provision for covered events of prior fiscal years	(115,146)	378,546
Total incurred claims and claim adjustment expenses	1,268,871	1,799,248
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	172,801	57,702
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	1,367,031	1,544,283
Total payments	1,539,832	1,601,985
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 3,261,900	$ 3,532,861

The components of the unpaid claims and claim adjustment expenses for the Liability Program as of June 30, 2016 and 2015 were as follows:

	2016	2015
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 3,600,658	$ 3,923,939
Anticipated deductible recoveries	(338,668)	(391,078)
	$ 3,261,900	$ 3,532,861

(Continued)

The schedule below presents the changes in claims liabilities for the past two years of the Workers' Compensation Program:

	2016	2015
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 9,694,293	$ 11,105,896
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	2,821,509	2,775,757
Change in provision for covered events of prior fiscal years	(917,444)	(1,657,934)
Total incurred claims and claim adjustment expenses	1,904,065	1,117,823
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	405,417	241,641
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	1,880,708	2,287,785
Total payments	2,286,125	2,529,426
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 9,312,233	$ 9,694,293

The components of the unpaid claims and claim adjustment expenses for the Workers' Compensation Program as of June 30, 2016 and 2015 were as follows:

	2016	2015
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 10,130,363	$ 10,435,278
Anticipated deductible recoveries	(818,130)	(740,985)
	$ 9,312,233	$ 9,694,293

The tables that follow illustrate how the Authority's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of each of the previous ten years for the Liability and Workers' Compensation Programs. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded, reported premiums (net of reinsurance) and reported investment revenue.

2. Total dividends/rebate credited, reported in year declared.

3. Total of each fiscal year's premium rebate received from reinsurance carriers (Liability Program only).

4. Each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.

5. Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called policy year).

6. The cumulative net amounts paid as of the end of successive years for each policy year.

7. The latest reestimated amount of losses assumed by reinsurers for each policy year.

8. Policy year's incurred net claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

9. Compares the latest reestimated net incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

(Continued)

	Fiscal and Policy Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Premiums and investment revenue:										
Earned	$ 2,716,967	$ 3,262,083	$ 2,807,835	$ 2,642,001	$ 2,633,115	$ 2,725,990	$ 2,630,164	$ 2,679,266	$ 2,747,237	$ 2,732,636
Ceded	(1,756,936)	(1,947,348)	(1,302,188)	(1,302,949)	(1,139,783)	(1,137,137)	(953,186)	(1,111,821)	(1,118,678)	(1,209,678)
Net earned	$ 960,031	$ 1,314,735	$ 1,505,647	$ 1,339,052	$ 1,493,332	$ 1,588,853	$ 1,676,978	$ 1,526,739	$ 1,628,559	$ 1,522,958
2. Members dividends/rebates - fiscal year credited	$ 440,000	$ 175,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3. Reinsurance premium rebate – fiscal year paid	$ 569,772	$ 514,173	$ 501,201	$ 494,244	$ 645,508	$ 482,434	$ 456,770	$ 325,557	$ 138,821	$ 196,382
4. Unallocated expenses	$ 264,729	$ 314,385	$ 340,754	$ 445,620	$ 411,077	$ 428,496	$ 369,612	$ 395,640	$ 450,040	$ 434,299
5. Estimated losses and expenses, end of policy year:										
Incurred	$ 1,170,000	$ 1,415,443	$ 1,556,127	$ 1,574,694	$ 1,267,982	$ 1,257,393	$1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 1,170,000	$ 1,415,443	$ 1,556,127	$ 1,574,694	$ 1,267,982	$ 1,257,393	$1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399
6. Net paid (cumulative) as of:										
End of policy year	$ 40,453	$ 111,274	$ 82,736	$ 94,935	$ 42,161	$ 27,017	$ 127,708	$ 9,168	$ 57,702	$ 172,801
One year later	$ 262,108	$ 756,773	$ 517,581	$ 312,917	$ 194,147	$ 243,682	$ 258,358	$ 542,900	$ 518,545	
Two years later	$ 527,993	$ 972,230	$ 904,541	$ 485,605	$ 486,177	$ 444,824	$ 1,008,183	$ 910,313		
Three years later	$ 625,891	$ 1,143,797	$ 1,105,298	$ 771,814	$ 690,347	$ 1,462,267	$ 1,644,667			
Four years later	$ 1,007,500	$ 1,257,144	$ 1,166,472	$ 792,668	$ 870,478	$ 1,507,065				
Five years later	$ 1,036,405	$ 1,278,843	$ 1,609,143	$ 792,268	$ 872,000					
Six years later	$ 1,042,883	$ 1,356,606	$ 1,681,576	$ 792,268						
Seven years later	$ 1,048,456	$ 1,369,741	$ 1,694,263							
Eight years later	$ 1,053,761	$ 1,377,709								
Nine years later	$ 1,053,761									
7. Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Re-estimated net incurred losses and expenses:										
End of policy year	$ 1,170,000	$ 1,415,443	$ 1,556,127	$ 1,574,694	$ 1,267,982	$ 1,257,393	$ 1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399
One year later	$ 1,094,927	$ 1,551,849	$ 1,395,767	$ 1,296,221	$ 887,812	$ 1,142,517	$ 1,671,553	$ 1,286,026	$ 1,397,626	
Two years later	$ 1,017,023	$ 1,533,368	$ 1,451,440	$ 983,560	$ 811,651	$ 977,508	$ 2,197,049	$ 1,250,510		
Three years later	$ 848,897	$ 1,440,794	$ 1,390,509	$ 969,274	$ 904,802	$ 1,476,875	$ 2,031,697			
Four years later	$ 1,016,667	$ 1,358,286	$ 1,564,148	$ 853,819	$ 938,155	$ 1,588,197				
Five years later	$ 1,038,647	$ 1,388,707	$ 1,636,954	$ 808,621	$ 892,952					
Six years later	$ 1,042,115	$ 1,383,140	$ 1,674,962	$ 798,145						
Seven years later	$ 1,052,416	$ 1,380,553	$ 1,695,795							
Eight years later	$ 1,053,946	$ 1,384,111								
Nine years later	$ 1,053,995									
9. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ (116,005)	$ (31,332)	$ 139,668	$ (776,549)	$ (375,030)	$ 330,804	$ 774,288	$ (68,526)	$ (2,994)	$ -

Note: Paid amounts and re-estimated incurred claims and expenses are shown as gross amounts without an adjustment for members' deductibles.

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM
June 30, 2016

	Fiscal and Policy Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Premiums and investment revenue:										
Earned	$ 4,793,989	$ 4,076,908	$ 4,118,147	$ 2,943,355	$ 4,055,748	$ 5,463,309	$ 4,252,078	$ 4,478,732	$ 5,131,975	$ 5,554,666
Ceded	(533,595)	(542,656)	(561,611)	(589,607)	(521,612)	(468,693)	(573,762)	(715,074)	(866,862)	(954,810)
Net earned	$ 4,260,394	$ 3,534,252	$ 3,556,536	$ 2,353,728	$ 3,534,136	$ 4,994,616	$ 3,678,316	$ 3,763,658	$ 4,265,113	$ 4,599,856
2. Members dividends/rebates - fiscal year credited	$ 1,671,931	$ 1,175,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 335,000
3. Reinsurance premium rebate – fiscal year paid	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4. Unallocated expenses	$ 1,124,931	$ 756,321	$ 822,982	$ 1,044,105	$ 1,128,679	$ 1,213,343	$ 1,220,085	$ 1,317,284	$ 1,234,927	$ 1,240,113
5. Estimated losses and expenses, end of policy year:										
Incurred	$ 1,953,341	$ 2,071,414	$ 2,447,082	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 1,953,341	$ 2,071,414	$ 2,447,082	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888
6. Net paid (cumulative) as of:										
End of policy year	$ 453,105	$ 440,212	$ 470,665	$ 922,303	$ 447,196	$ 575,320	$ 475,789	$ 456,288	$ 241,641	$ 405,417
One year later	$ 1,109,000	$ 975,430	$ 1,351,023	$ 1,595,005	$ 1,070,063	$ 1,361,488	$ 996,663	$ 1,073,517	$ 813,210	
Two years later	$ 1,511,302	$ 1,420,405	$ 1,927,731	$ 1,942,161	$ 1,334,339	$ 1,725,006	$ 1,467,633	$ 1,476,398		
Three years later	$ 1,810,924	$ 1,933,125	$ 2,150,286	$ 2,154,893	$ 1,452,205	$ 2,157,884	$ 1,615,906			
Four years later	$ 1,922,925	$ 1,932,295	$ 2,465,283	$ 2,230,190	$ 1,500,416	$ 2,296,429				
Five years later	$ 2,086,291	$ 2,153,858	$ 2,569,341	$ 2,350,163	$ 1,578,336					
Six years later	$ 2,211,543	$ 2,239,027	$ 2,679,006	$ 2,442,230						
Seven years later	$ 2,317,465	$ 2,356,916	$ 2,729,713							
Eight years later	$ 2,404,095	$ 2,434,858								
Nine years later	$ 2,436,134									
7. Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Re-estimated net incurred losses and expenses:										
End of policy year	$ 1,935,341	$ 2,071,414	$ 2,447,082	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888
One year later	$ 1,959,977	$ 2,325,920	$ 2,482,107	$ 2,938,238	$ 2,223,653	$ 2,863,435	$ 2,620,184	$ 2,471,332	$ 2,251,344	
Two years later	$ 2,282,963	$ 2,317,246	$ 2,809,061	$ 2,776,575	$ 2,298,948	$ 3,091,394	$ 2,245,699	$ 2,547,681		
Three years later	$ 2,733,564	$ 2,719,151	$ 3,133,757	$ 2,935,253	$ 2,103,141	$ 2,885,792	$ 2,160,808			
Four years later	$ 2,725,025	$ 2,563,297	$ 3,425,314	$ 2,719,431	$ 1,871,016	$ 2,718,354				
Five years later	$ 2,839,527	$ 2,866,434	$ 3,389,214	$ 2,673,776	$ 1,823,146					
Six years later	$ 2,776,137	$ 2,788,318	$ 3,194,845	$ 2,595,976						
Seven years later	$ 3,187,393	$ 2,616,150	$ 3,067,294							
Eight years later	$ 2,979,681	$ 2,643,768								
Nine years later	$ 2,880,496									
9. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ 927,155	$ 572,354	$ 620,212	$ 53,727	$ (433,109)	$ 571,933	$ (103,016)	$ 38,306	$ (375,665)	$ -

Note: Paid amounts and re-estimated incurred claims and expenses are shown as gross amounts without an adjustment for members' deductibles.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

To the Board of Directors and Members
Yolo County Public Agency Risk Management
Insurance Authority
Woodland, 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 Yolo County Public Agency Risk Management Insurance Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Yolo County Public Agency Risk Management Insurance Authority's basic financial statements, and have issued our report thereon dated October 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yolo County Public Agency Risk Management Insurance Authority'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 Yolo County Public Agency Risk Management Insurance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Yolo County Public Agency Risk Management Insurance Authority's internal controls.

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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yolo County Public Agency Risk Management Insurance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 over financial reporting 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
October 20, 2016