YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY

FINANCIAL STATEMENTS

June 30, 2018 and 2017

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
Woodland, California

FINANCIAL STATEMENTS
June 30, 2018 and 2017

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Crowe LLP
Independent Member Crowe Global

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Yolo County Public Agency Risk Management Insurance Authority's 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the *State Controller's Minimum Audit Requirements for California Special Districts*. 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting" for Financial Reporting for Postemployment Benefits Other than Pensions". This statement replace the requirements of GASB Statement No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions". Based on the implementation of GASB Statement No. 75, the Authority's July 1, 2017 net position was restated by $169,963 because of the recognition of the total OPEB liability and related deferred outflows of resources. Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

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 Changes in Other Postemployment Benefits (OPEB) Liability on page 37, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 38, the Schedule of the Authority's Contributions on page 39, the Reconciliation of Claims Liability by Type of Contract on pages 41 and 42 and the Claims Development Information on pages 43 through 45 be presented to supplement the financial statements. Such information, although not a part of the 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 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 25, 2018 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 LLP

Crowe LLP

Sacramento, California
October 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

This section of Yolo County Public Agency Risk Management Insurance Authority's (YCPARMIA or "the Authority") annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended June 30, 2018. 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-two (32) 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 the 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. To best understand our year-end position there are three interrelated areas to consider:

1. The trending of our members' premium/cash payments;
2. Our performance against our Board approved budget; and
3. The funded program reserve levels of our programs.

Premium/Cash Payments

Assuming adequate coverage, our members risk cost should, hopefully, be capped at the premium/cash payments 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. Premiums history by program reflects that after any Board approved premium rebates, the:

- Liability Program has seen essentially flat premiums for the last eleven years;
- Fidelity Program has seen essentially flat premiums for the last ten years;
- Property Program has experienced essentially flat rates applied to increasing declared values for the past seven years;
- Workers' Compensation Program, faced with medical and State Legislated benefit inflation, has seen a recent upward trend in premium costs but have been offset by "good" claims trends.

Budget
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. It is followed closely by excess coverage cost which is industry generated, largely outside our control, and based on premium formulas driven by increasing member payrolls.

The YCPARMIA budget has three basic parts:

1. **Revenue** – which came in slightly lower than expected due to shortfalls in budgeted rebates from our excess pools.
2. **Administrative and Service Expenses** – making up 13% of our total budget, came in at its approved level; and
3. **Coverage Expense** (excess premiums and claims costs) – which represents about 87% of YCPARMIA's total budgeted expenses, came in a bit over at 127.7% of the budget. This area of the budget is made up of three components:

- Claims payments: which came in over budget due to a few adverse claims.
- Excess coverage costs: an area of expense that is dependent on industry developments and is largely out of our control, came in over budget; and
- Unbudgeted actuarial program reserve adjustments: our actuary study raised program reserves for our Liability Program ($363,377) and lowered reserves for Workers' Compensation Program ($213,275) – these actuarial adjustments are not included in the budget but are recorded against program expenses.

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. This is due partly as a result of members transferring benefit costs to their employees while partially offsetting salary increases. This is cost neutral to our members but driving increased excess premium costs for YCPARMIA.

Funded Program Reserves and Dedicated Surplus
The last element of our fiscal health deals with funded program reserves and dedicated retained earnings/surplus. Accounting standards call for the Authority to book actuarially determined program reserves at expected (essentially a 50% confidence level). Our Board then sets aside restricted funds in our retained earnings/net position to fund confidence margins (actuarially determined 80% confidence) and separate Board approved catastrophic funds. At the end of the fiscal year our:

- Liability Program has fully funded program reserves and confidence margin but is only funded to 44% of the approved catastrophic fund;
- Workers' Compensation and Fidelity Program both have fully funded program reserves, confidence margins and catastrophic funds after Board approved rebates; and
- Property Program has a deficit in both the confidence margin and catastrophic fund.

In summary, for Fiscal Year 2017-2018, YCPARMIA came in slightly over budget; but ended the year with fully funded program reserves. YCPARMIA also has fully funded confidence margins (but for the Property Program), and fully funded catastrophic funds in the Workers' Compensation and Fidelity Programs. The goal for the coming year is to maintain the funding levels in the fully funded programs, return the Liability and Property Program to fully funded positions, stabilize premiums at their current levels, and continue to build an excess surplus that can be used to reduce our members' financial contributions to YCPARMIA.

DESCRIPTION OF BASIC 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 assets 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.

In addition to the above, 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 versus Actual, Trial Balance, and Balance Sheet.
- Receives a quarterly Statement of Revenues, Expenses and Net Position, including restricted funds, on each program.
- Sets policy to fund at an actuarial determined 70% confidence level and maintains designated net position 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 position 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 Fiscal Year Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
Current Assets	$ 5,214,254	$ 6,630,962	$ 6,418,121
Non-current Assets			
Deposits	305,000	305,000	305,000
Investments	12,360,274	11,962,707	10,824,392
Capital Assets	103,118	112,752	124,622
Total Non-Current Assets	12,768,392	12,380,459	11,254,014
Total Assets	17,982,646	19,011,421	17,672,135
Deferred Outflows of Resources	523,578	282,047	102,254
Current Liabilities	5,038,780	4,747,938	3,830,939
Non-current Liabilities	9,970,112	10,019,057	10,032,426
Other Post-Employment Benefits	844,036	658,977	648,342
Total Liabilities	15,852,928	15,425,972	14,511,707
Deferred Inflows of Resources	87,139	64,325	92,689
Net Position			
Investment in Capital Assets	103,118	112,752	124,622
Unrestricted	2,463,039	3,690,419	3,045,371
Total Net Position	**$ 2,566,157**	**$ 3,803,171**	**$ 3,169,993**

	As of Fiscal Year Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
Revenues			
Operating Revenues	$ 9,977,374	$ 9,878,304	$ 8,816,431
Investment Revenues	31,197	(26,758)	303,648
Total Revenues	10,008,571	9,851,546	9,120,079
Total Expenses	11,075,622	9,218,368	7,915,032
Change in Net Position	(1,067,051)	633,178	1,205,047
Net Position, beginning of year	3,803,171	3,169,993	1,964,946
Cumulative Effect of GASB 75	(169,963)	-	-
Net Position, beginning of year restated	3,633,208	3,169,993	1,964,946
Net Position, End of Year	**$ 2,566,157**	**$ 3,803,171**	**$ 3,169,993**

Liability Program

At the primary level (claims under $500,000 per occurrence), this program has had a couple of "bad years" due to significant claims activity. 2017-2018 was unfortunately no different. Excess coverage, up to $40 million per occurrence, is provided through membership in the California Joint Powers Risk Management Authority (CJPRMA).

- Current total member premiums, in comparison between FY 2016-2017 and 2017-2018 shows the percentage increase to be less than the increase between FY 2015-2016 and 2016-2017;
- Member costs per $100 of payroll, at about $1.61, are 64% of our 1995 figures (which were $2.52 per $100 of payroll);
- Program reserves and confidence margins are fully funded as of the end of FY 2017-2018; total coverage limits, subject to approved sub-limits, have increased from $10 million in 1995 to $40 million 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 and drone liability in the recent past.
- Claim frequency and severity is up over historical averages. We are seeing increased pothole and tree claims that are probably indicative of deferred maintenance.

Workers' Compensation Program

YCPARMIA, subject to a $1,000 per claim member deductible, pools losses up to $500,000 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.
- Member cost, after a $650,000 Board approved premium rebate, per $100 of payroll is $2.37 or about 43% less than it was in Fiscal Year 1995-1996 ($4.14 per $100 of payroll); Costs are trending relatively flat, despite legislated benefit inflation.
- Claim frequency has been trending slightly downward for the last four years.
- Claim severity, as measured by indemnity losses, has been trending slightly upward.
- Benefits paid for injured workers averaged $241,162 per month as opposed to $224,983 and $239,019 the previous two years.
- Most importantly, future reserves continue to trend downward and ended the fiscal year under $5.7 million – down from our historic high of $9.1 million in 2014 and more than $450,000 lower than reserves one year ago.

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 $25,000; there is a $10,000 deductible for auto physical damage. Excess coverage is under a shared limits policy through membership in CSAC-EIA.

- There were some unexpected losses in the program this past fiscal year, resulting in a slight uptick in severity of losses. Frequency remained relatively constant.
- The program was not fully funded relative to the confidence margin and catastrophic fund.
- Declared property values have increased from $260 million in 1995 to just over $1.3 billion at the end of this fiscal year (a 500% increase).
- All risk coverage continues to include flood and partial earthquake, along with some other 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. With recent weather and fire events around the world, and California specifically, we can anticipate that the property market will continue to harden.

Fidelity Program
The Fidelity Program, fully funded after a Board approved premium rebate, covers the dishonest acts of all employees and elected officials. Member cost is approximately $0.013 per $100 of payroll, or about the same as it was in 1995; during that time the coverage limit per claim has doubled to $2 million.

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 or 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 fiscal year ended June 30, 2018 is as follows:

	As of Fiscal Year Ended June 30, 2018		
	Budget	**Actual**	**Variance**
Revenues			
Contributions	$ 9,923,350	$ 9,969,437	$ 46,087
Investment	200,000	31,197	(168,803)
Other Revenue	-	-	-
Retrospective Premium Rebate	200,000	7,937	(192,063)
Total Revenues	**$10,323,350**	**$ 10,008,571**	**$ (314,779)**
Expenses			
General and Administrative	$ 1,148,720	$ 949,561	$ (199,159)
Insurance Premiums and Claims	6,711,224	8,482,225	1,771,001
Coverage General and Administrative	685,500	814,872	129,372
Other Post Employment Benefits	15,000	21,861	6,861
Actuarial Provision for Claims and Adjustment Expenses	-	150,102	150,102
Rebates/Credits	-	657,000	-
Total Expenses	**$ 8,560,444**	**$ 11,075,622**	**$1,858,178**
Change in Net Position		**$ (1,067,051)**	

CONCLUSION

Fiscal Year 2017-2018 saw some challenges from a loss perspective for YCPARMIA. The Workers' Compensation and Fidelity programs are financially healthy and fully funded to Board approved and industry best practices levels. Although the Property and Liability programs ran funding deficits this past year, they are counterbalanced by the other two programs. The Board is again approving premium rebates in the Workers' Compensation and Fidelity Programs 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.

Dennis Monahan
CEO/Risk Manager

October 25, 2018

FINANCIAL STATEMENTS

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 3,724,401	$ 4,668,911
Receivables:		
Member agencies	18,078	35,706
Interest	70,491	56,570
Investments maturing within one year (Note 3)	1,375,460	1,765,433
Prepaid insurance	25,824	104,342
Total current assets	5,214,254	6,630,962
Deposits	305,000	305,000
Investments, less portion maturing within one year (Note 3)	12,360,274	11,962,707
Capital assets:		
Premises and equipment, net (Note 4)	103,118	112,752
Total non-current assets	12,768,392	12,380,459
Total assets	17,982,646	19,011,421
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – OPEB (Note 5)	33,709	-
Deferred outflows of resources – pensions (Note 10)	489,869	282,047
Total deferred outflows of resources	523,578	282,047
LIABILITIES		
Current liabilities:		
Accounts payable	15,864	253
Rebate credits payable	657,000	672,200
Payroll payable	36,930	46,499
Current portion of unpaid claims and claim adjustment expenses, net of deductible recoveries:		
Liability and workers' compensation (Note 6)	4,300,000	4,000,000
Property and other	28,986	28,986
Total current liabilities	5,038,780	4,747,938
Other postemployment benefits (Note 5)	844,036	658,977
Net pension liability (Note 10)	1,129,568	1,028,615
Unpaid claims and claim adjustment expenses net of deductible recoveries and current portion:		
Liability and workers' compensation (Note 6)	8,840,544	8,990,442
Total non-current liabilities	10,814,148	10,678,034
Total liabilities	15,852,928	15,425,972
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – OPEB (Note 5)	40,474	-
Deferred inflows of resources – pensions (Note 10)	46,665	64,325
Total deferred inflows of resources	87,139	64,325
NET POSITION		
Net position (Note 7):		
Net invested in capital assets	103,118	112,752
Unrestricted	2,463,039	3,690,419
Total net position	$ 2,566,157	$ 3,803,171

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, 2018 and 2017

	2018	2017
Operating revenues:		
Member contributions	$ 9,969,437	$ 9,695,621
Retrospective premium adjustment	7,937	182,683
Total operating revenues	9,977,374	9,878,304
Operating expenses:		
Provision for claims and claim adjustment:		
Liability and workers' compensation (Note 6)	5,048,648	3,597,757
Property and other	72,848	71,425
Other postemployment benefits (Note 5)	21,861	10,635
Reinsurance premiums (Note 8)	3,510,831	3,099,768
Rebate credits	657,000	672,200
General and administrative	1,764,434	1,766,583
Total operating expenses	11,075,622	9,218,368
Operating (loss) income	(1,098,248)	659,936
Non-operating (expenses) revenues:		
Other income	1,017	-
Investment income	272,368	180,192
Net change in fair value of investments	(242,188)	(206,950)
Total non-operating (expenses) revenues	31,197	(26,758)
Change in net position	(1,067,051)	633,178
Net position, July 1, 2017	3,803,171	3,169,993
Cumulative effect of GASB 75 implementation	(169,963)	-
Net position, July 1, 2017, as restated	3,633,208	3,169,993
Net position, June 30, 2018	$ 2,566,157	$ 3,803,171

See accompanying notes to financial statements.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from members and others	$ 9,995,002	$ 9,910,367
Cash paid for claims and settlements	(4,971,394)	(3,252,873)
Cash paid for reinsurance	(3,510,831)	(3,099,768)
Cash paid to suppliers and employees	(1,785,558)	(1,911,886)
Cash paid for rebate credits	(672,200)	(335,000)
Net cash (used in) provided by operating activities	(944,981)	1,310,840
Cash used in capital and related financing activities:		
Purchase of furniture and equipment	(9,211)	(4,394)
Cash flows from investing activities:		
Investments purchased	(5,072,562)	(12,393,663)
Investments sold and matured	4,822,780	10,737,363
Interest received	259,464	173,132
Net cash provided by (used in) investing activities	9,682	(1,483,168)
Net decrease in cash and cash equivalents	(944,510)	(176,722)
Cash and cash equivalents, beginning of year	4,668,911	4,845,633
Cash and cash equivalents, end of year	$ 3,724,401	$ 4,668,911
Reconciliation of operating income to net cash (used in) provided by operating activities:		
Operating (loss) income	$ (1,098,248)	$ 659,936
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Depreciation	18,845	16,264
(Increase) decrease in:		
Receivables - member agencies	17,628	32,063
Prepaid insurance	78,518	(103,531)
Deferred outflows of resources	(216,711)	(179,793)
Increase (decrease) in:		
Accounts payable and payroll payable	6,042	(20,201)
Rebate credit payable	(15,200)	337,200
Other postemployment benefits	(9,724)	10,635
Net pension liability	100,953	170,322
Unpaid claims and claim adjustment expenses	150,102	416,309
Deferred inflows of resources	22,814	(28,364)
Total adjustments	153,267	678,104
Net cash (used in) provided by operating activities	$ (944,981)	$ 1,310,840
Supplemental disclosures of cash flow information:		
Change in fair value of investments	$ (242,188)	$ (206,950)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA and / or the "Authority") is a Joint Powers Authority (JPA) that provides pooled risk management services to thirty-two 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, 2018 and 2017 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 other postemployment benefits and pensions reported which is in the statement of net position.

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)

New Accounting Pronouncement: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the Authority's July 1, 2017 net position was restated by $169,963 because of the recognition of the total OPEB and related deferred outflows of resources. The actuarial valuation report for OPEB did not provide sufficient information to restate the Authority's net position at July 1, 2016.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018 and 2017 consisted of the following:

	2018	2017
Cash and cash equivalents:		
Cash on hand	$ 100	$ 100
Cash in bank	727,966	730,339
Money market	17,565	66,785
Cash in Local Agency Investment Fund	2,978,770	3,871,687
Total cash and cash equivalents	$ 3,724,401	$ 4,668,911

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, 2018, the carrying amount of the Authority's accounts was $727,966, and the bank balances were $956,514, of which $706,514 was uninsured but collateralized. At June 30, 2017, the carrying amount of the Authority's accounts was $730,339, and the bank balances were $911,942, of which $661,942 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 2 – CASH AND CASH EQUIVALENTS (Continued)

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 YCPARMIA'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, 2018, this fund was yielding approximate interest rate of 1.376% 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.

NOTE 3 – INVESTMENTS

Investments: Investments at June 30, 2018 and 2017 are reported at fair value and consisted of the following:

	Rating	2018	2017
Investments:			
US Government sponsored entities and agencies	AA+	$ 3,387,223	$ 5,047,170
US Government sponsored entities and agencies	AAA	893,594	-
Mortgages	AAA	1,075,511	927,317
Commercial Paper	A-1	-	273,900
Certificates of Deposit	A-1	500,000	-
Supranational	AAA	915,769	734,311
US Corporate Notes	AAA	164,534	187,843
US Corporate Notes	AA+	161,963	290,629
US Corporate Notes	AA	327,733	283,320
US Corporate Notes	AA-	620,732	626,067
US Corporate Notes	A+	623,939	786,045
US Corporate Notes	A	1,336,922	1,200,496
US Corporate Notes	A-	293,809	-
US Treasury	TSY	3,434,005	3,371,042
Total investments		$ 13,735,734	$ 13,728,140

Investment security ratings reported as of June 30, 2018 and 2017 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, 2018 and 2017, 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:

	2018			
Description	Fair Value	Level 1	Level 2	Level 3
US Government sponsored entities and agencies	$ 4,280,817	$ -	$ 4,280,817	$ -
Mortgages	1,075,511	-	1,075,511	-
Certificates of deposit	500,000	-	500,000	-
Supranational	915,769	-	915,769	-
US Corporate notes	3,529,632	-	3,529,632	-
Treasury	3,434,005	-	3,434,005	-
	$ 13,735,734	$	$ 13,735,734	$ -

	2017			
Description	Fair Value	Level 1	Level 2	Level 3
US Government sponsored entities and agencies	$ 5,047,170	$ -	$ 5,047,170	$ -
Mortgages	927,317	-	927,317	-
Commercial paper	273,900	-	273,900	-
Supranational	734,311	-	734,311	-
US Corporate notes	3,374,400	-	3,374,400	-
Treasury	3,371,042	-	3,371,042	-
	$ 13,728,140	$ -	$ 13,728,140	$ -

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 entities and agencies, mortgages, commercial paper, US corporate notes and treasury are classified within level 2 of the fair value hierarchy.

(Continued)

NOTE 3 –INVESTMENTS (Continued)
The Authority had no non-recurring assets and no liabilities at June 30, 2018 and June 30, 2017 which were required to be disclosed using the fair value hierarchy.

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, 2018 and 2017, 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, 2018 and 2017 consist of the following:

2018

		Maturity	
	Fair Value	Less than One Year	Greater than One Year
Investments maturities:			
US Government sponsored entities and agencies	$ 4,280,817	$ -	$ 4,280,817
Mortgages	1,075,511	2,914	1,072,597
Certificates of Deposit	500,000	500,000	500,000
Supranational	915,769	279,182	636,587
US Corporate notes	3,529,632	593,364	2,936,268
Treasury	3,434,005	-	3,434,005
	$ 13,735,734	$ 1,375,460	$ 12,360,274

2017

		Maturity	
	Fair Value	Less than One Year	Greater than One Year
Investments maturities:			
US Government sponsored entities and agencies	$ 5,047,170	$ 459,717	$ 4,587,453
Mortgages	927,317	32,783	894,534
Commercial paper	273,900	273,900	-
Supranational	734,311	-	734,311
US Corporate notes	3,374,400	999,033	2,375,367
Treasury	3,371,042	-	3,371,042
	$ 13,728,140	$ 1,765,433	$ 11,962,707

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

(Continued)

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, 2018 and 2017, the Authority had the following investments that represent more than five percent of the Authority's net investments:

	2018	2017
United States Treasury Notes	25%	24%
Federal National Mortgage Association	16%	16%
Federal Home Loan Bank	7%	8%
Federal Home Loan Mortgage Co.	5%	10%

NOTE 4 – PREMISES AND EQUIPMENT

Premises and equipment at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Non-Depreciable:		
Land	$ 93,005	$ 93,005
Depreciable:		
Furniture and equipment	209,015	199,804
Building	356,631	356,631
	658,651	649,440
Less accumulated depreciation	(555,533)	(536,688)
	$ 103,118	$ 112,752

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.

The Authority's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The Authority's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018, the Authority has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the Authority's Total OPEB Liability. There is no separate report issued for the defined benefit healthcare plan.

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Medical benefits provided: As a Public Employees' Medical and Hospital Care Act (PEMHCA) employer, YCPARMIA is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. YCPARMIA PEMHCA resolution on file with CalPERS defines YCPARMIA's contribution toward the cost of medical plan premiums for employees and retirees to be 100% of the applicable premium, but not more than $415.25 per month, nor less than the required PEMHCA minimum employer contribution (MEC).

Dental benefits provided: YCPARMIA also pays 100% of the retiree dental premium which is $88 per month in 2018.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive plan members currently receiving benefits	6
Active plan members	7
	13

Contributions*:* The contribution requirements of plan members and the Authority are established and may be amended by the Authority's Governing Board and by contractual agreements with employees.

YCPARMIA contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). Contributions to the Plan from the Authority were $33,709 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	June 30, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets ($0; plan is not yet funded)
Discount Rate	2.68% as of June 30, 2016 3.13% as of June 30, 2017
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; a component of assumed salary increases
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008 and then projected forward 6 years using MacLeod Watts Scale 2017 to year 2014.

Mortality Before Retirement

Mortality rates in each of these tables were initially adjusted as described above.

These rates were then projected on a generational basis using MacLeod Watts Scale 2017 to anticipate future mortality improvement each year until the expected payments in any future year occur.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths		
Age	Male	Female
15	0.00023	0.00017
20	0.00033	0.00021
30	0.00052	0.00027
40	0.00080	0.00053
50	0.00165	0.00106
60	0.00354	0.00223
70	0.00709	0.00467
80	0.01339	0.01036

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Mortality After Retirement

Representative mortality rates for 2014 are shown in the charts below. The rates were then adjusted on a generational basis by MacLeod Watts Scale 2014 to anticipate future mortality improvement.

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00117	0.00097
50	0.00532	0.00495
60	0.00817	0.00533
70	0.01766	0.01264
80	0.05275	0.03695
90	0.16186	0.12335
100	0.34551	0.31876
110	1.00000	1.00000

Disabled Miscellaneous

CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality From Jan 2014 Experience Study Report		
Age	Male	Female
20	0.00641	0.00395
30	0.00736	0.00455
40	0.01008	0.00642
50	0.01784	0.01230
60	0.02634	0.01510
70	0.03890	0.02815
80	0.08230	0.06015
90	0.18469	0.16082

Termination Rates

Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued January 2014						
Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.1193	0.0946	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0868	0.0749	0.0000	0.0000
30	0.1606	0.1055	0.0790	0.0668	0.0581	0.0000
35	0.1537	0.0987	0.0711	0.0587	0.0503	0.0450
40	0.1468	0.0919	0.0632	0.0507	0.0424	0.0370
45	0.1400	0.0849	0.0554	0.0427	0.0347	0.0290

Service Retirement Rates

The following miscellaneous retirement formulas apply:

If hired prior to 1/1/2013:	2.5% @ 55
If hired on or after 1/1/2013, with prior PERS Service:	2.5% @ 55
If hired on or after 1/1/2013, PEPRA:	2% @ 62

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Service Retirement Rates (continued)

Miscellaneous Employees: 2.5% at 55 formula From CalPERS Experience Study Report Issued January 2014						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0040	0.0090	0.0190	0.0290	0.0490	0.0940
55	0.0660	0.0880	0.1150	0.1420	0.1790	0.2410
60	0.0660	0.0880	0.1150	0.1420	0.1790	0.2410
65	0.1220	0.1600	0.2020	0.2450	0.2970	0.3740
70	0.1270	0.1650	0.2090	0.2530	0.3060	0.3850
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula From CalPERS Experience Study Report Issued January 2014						
Current Age	Years of Service					
	5	10	15	20	25	30
52	0.0103	0.0132	0.0160	0.0188	0.0216	0.0244
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
65	0.1287	0.1638	0.1989	0.2340	0.2691	0.3042
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

CalPERS Public Agency Miscellaneous Disability From Jan 2014 Experience Study Report		
Age	Male	Female
20	0.00017	0.00010
25	0.00017	0.00010
30	0.00019	0.00024
35	0.00049	0.00081
40	0.00122	0.00155
45	0.00191	0.00218
50	0.00213	0.00229
55	0.00221	0.00179
60	0.00222	0.00135

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Healthcare Trend

Medical plan premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2018	Actual	2022	6.00%
2019	7.50%	2023	5.50%
2020	7.00%	2024	5.00%
2021	6.50%	2025 & later	5.00%

The PEMHCA minimum required contribution (MEC) is assumed to increase annually by 4.5%. Dental premiums are assumed to increase by 3.0% per year.

Increase in fixed dollar benefit

We assumed the current $415.25 monthly benefit cap will remain fixed in all future years (it has not increased since 1996).

Participation rate

Active employees: All (100%) employees who retire from YCPARMIA are assumed to elect medical coverage in retirement.

Retired participants: Existing medical plan elections are assumed to be continued until retiree's death

Spouse Coverage

Active employees and retired participants: Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Excise tax on high-cost plans

The expected value of excise taxes for high cost plan coverage for retirees is expected to be effective in the year 2022. Annual threshold amounts under the Affordable Care Act (ACA) are shown below. A 40% excise tax rate was applied to the portion of premiums projected to exceed the threshold.

2018 Thresholds	Ages 55-64	All Other Ages
Single	11,850	10,200
Other than Single	30,950	27,500

Note: Thresholds for disability retirements are assumed to be set at a level high enough to prevent taxation on disabled retiree benefits.

The actual limits may be higher, depending on cost increases prior to the effective date. The thresholds are scheduled to increase by CPI plus 1% in 2019 and by CPI annually thereafter. This report assumes that 100% of any excise tax liability for high cost retiree coverage will be borne by YCPARMIA.

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Development of Age-related Medical Premiums

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Addendum 1 to this report.

Representative claims costs derived from the dataset provided by CalPERS for retirees is shown below.

Expected Monthly Claims by Medical Plan for Selected Ages					
	Male				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Sacramento	$ 781	$ 921	$ 1,069	$ 1,226	$ 1,393
HMO: Sacramento	876	1,033	1,200	1,375	1,563
Kaiser: Other Southern California	662	781	907	1,040	1,182
Kaiser: Sacramento	699	824	957	1,097	1,247
PERS Choice: Sacramento	652	769	893	1,024	1,164
PERSCare: Other Southern California	524	618	718	823	936
PERSCare: Sacramento	665	784	910	1,043	1,186
	Female				
Medical Plan	50	53	56	59	62
Blue Shield Access+: Sacramento	968	1,063	1,143	1,236	1,362
HMO: Sacramento	1,085	1,192	1,283	1,386	1,528
Kaiser: Other Southern California	821	901	970	1,048	1,155
Kaiser: Sacramento	866	951	1,023	1,106	1,219
PERS Choice: Sacramento	808	887	955	1,032	1,138
PERSCare: Other Southern California	650	713	768	830	915
PERSCare: Sacramento	824	905	973	1,052	1,159

All current and future Medicare-eligible retirees are assumed to be covered by plans that are rated based solely on the experience of Medicare retirees. Therefore, no implicit subsidy is calculated for Medicare-eligible retirees.

The actuarial assumptions above were taken directly from the Authority's June 30, 2017 actuarial valuation report.

Discount Rate: Given the YCPARMIA's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.13%. The discount rate used in the actuarial valuation is based on the S&P Municipal Bond 20 Year High Grade Index.

(Continued)

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Balance, June 30, 2017	$ 853,760**
Changes for the year:	
Service cost	41,413
Interest	23,658
Differences between expected and actual experience	-
Changes in assumptions	(49,975)
Changes in benefits terms	-
Employer contributions	-
Administrative expense	-
Benefit payments	(24,820)
Net change	(9,724)
Balance June 30, 2018	$ 844,036

** Based on the implementation of GASB Statement No. 75, the Authority's July 1, 2017 net position was restated by $169,963 because of the recognition of an additional $194,783 for total OPEB liability, which was offset by related deferred outflows of resources of $24,820.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the Authority, as well as what the Authority's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Discount Rate 1% Lower (2.13%)	Valuation Discount Rate (3.13%)	Discount Rate 1% Higher (4.13%)
Total OPEB Liability	$ 961,871	$ 844,036	$ 747,940

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

Healthcare Cost Trend Rate was assumed to start at 7.5% (effective January 1, 2019) and grade down to 5% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

	Current Trend -1%	Current Trend	Current Trend +1%
Total OPEB Liability	$ 780,812	$ 844,036	$ 965,348

(Continued)

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expense of 55,570. At June 30, 2018, the Authority 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	-	40,474
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	33,709	-
Total	$ 33,709	$ 40,474

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	
2019	$ (9,501)
2020	$ (9,501)
2021	$ (9,501)
2022	$ (9,501)
2023	$ (2,470)

See required supplementary information following the notes to the financial statements, which presents multi-year trend information on whether assets are increasing or decreasing over time relative to the plan liabilities

(Continued)

NOTE 6 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

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

Liability and Workers' Compensation Programs

	2018	2017
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 12,990,442	$ 12,574,133
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	4,883,714	4,748,149
Change in provision for covered events of prior fiscal years	1,044,562	(1,150,392)
Total incurred claims and claim adjustment expenses	5,048,648	3,597,757
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	468,143	490,254
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	4,430,403	2,691,194
Total payments	4,898,546	3,181,448
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 13,140,544	$ 12,990,442

The components of the unpaid claims and claim adjustment expenses for the Liability and Workers' Compensation Programs as of June 30, 2018 and 2017 were as follows:

	2018	2017
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 14,283,202	$ 14,161,467
Anticipated deductible recoveries	(1,142,658)	(1,171,025)
	13,140,544	12,990,442
Current portion	(4,300,000)	(4,000,000)
	$ 8,840,544	$ 8,990,442

These liabilities are reported at their present value using an expected future investment yield assumption 2.5 percent for June 30, 2018 and 2017. The undiscounted liabilities are $14,451,992 and $14,290,195 at June 30, 2018 and 2017, respectively.

(Continued)

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, 2018	June 30, 2017	Funding Level
Liability Program	$ 536,754	$ 642,996	Fully funded
Workers Compensation Program	$ 911,219	$ 932,546	Fully funded
Fidelity Program	$ 25,000	$ 25,000	Fully funded
Property/Boiler and Machinery Program	$ 95,000	$ 95,000	Deficit

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

	June 30, 2018	June 30, 2017	Funding Level
Liability Program	$ 1,350,000	$ 1,350,000	Deficit
Workers Compensation Program	$ 1,500,000	$ 1,500,000	Fully funded
Fidelity Program	$ 25,000	$ 25,000	Fully funded
Property/Boiler and Machinery Program	$ 65,000	$ 65,000	Deficit

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, 2017	$ 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, 2018 and 2017 were as follows:

	2018	2017
Property and other	$ 731,039	$ 482,235
Liability	1,662,543	1,444,881
Workers' compensation	1,117,249	1,172,652
	$ 3,510,831	$ 3,099,768

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 $18,500. 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 2.5% 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.

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, 2018 were as follows:

Members – Under Miscellaneous 2.5% at 55, the member contribution rate was 7.94 and 7.94 percent of applicable member earnings for fiscal year 2017-18 and 2016-17, respectively. Under Miscellaneous 2% at 62, the member contribution rate was 6.25 and 6.25 percent of applicable member earnings for fiscal year 2017-18 and 2016-17, respectively.

Employers – At June 30, 2018 and 2017, the effective employer contribution rate was 16.64 and 19.44 percent, respectively, of applicable member earnings.

For the years ended June 30, 2018, 2017 and 2016, the Authority's annual pension cost of $52,990, $98,159 and $96,356, respectively and the Authority contributed to CalPERS for the fiscal years ending June 30, 2018, 2017 and 2016 were $52,990 , $98,159, and $96,356, respectively.

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

At June 30, 2018, the JPA reported a liability of $1,129,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the JPA reported a liability of $1,028,615 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2018, the JPA's proportion was 0.029 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the JPA's proportion was 0.030 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2016.

(Continued)

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

For the year ended June 30, 2018 and 2017, the JPA recognized pension expense of $447,865 and $(37,835), respectively. At June 30, 2018, 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	$ 1,349	$ 19,324
Changes of assumptions	167,351	12,761
Net differences between projected and actual earnings on investments	37,848	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	230,331	14,580
Contributions made subsequent to measurement date	52,990	
Total	$ 489,869	$ 46,665

At June 30, 2017, 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	$ 3,932	$ 1,167
Changes of assumptions	3,249	37,201
Net differences between projected and actual earnings on investments	176,707	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	25,957
Contributions made subsequent to measurement date	98,159	-
Total	$ 282,047	$ 64,325

(Continued)

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

At June 30, 2018, $52,990 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, 2018. 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,	
2019	$ 248,537
2020	$ 100,823
2021	$ 63,324
2022	$ (22,471)

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
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 probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 2016 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.

(Continued)

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	Assumed Asset Allocation	Real Rate of Return Years 1-10**	Real Rate of Return Years 11+***
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0	0.80	2.27
Inflation Assets	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

** An expected inflation of 2.5% used for this period.
*** An expected inflation of 3.0% used for this period.

Discount rate: At June 30, 2018 and 2017, the discount rate used to measure the total pension liability was 7.15 and 7.65 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, 2018 and 2017, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 7.15 and 7.65 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, 2018		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
JPA's proportionate share of the net pension liability	$ 1,681,206	$ 1,129,568	$ 672,691

	For the year ended June 30, 2017		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
JPA's proportionate share of the net pension liability	$ 1,602,555	$ 1,028,615	$ 554,282

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, 2017 (the most current information available) is as follows:

	CJPRMA	CSAC EIA
Total assets	$ 78,995,950	$ 791,363,353
Deferred outflows of resources	248,530	1,537,233
Total liabilities	42,992,530	650,912,971
Deferred inflows of resources	82,819	1,466,353
Net position	$ 36,129,131	$ 140,521,262
Revenues	$ 13,254,708	$ 771,379,563
Expenses	14,896,471	768,530,918
Change in net position	$ (1,641,763)	$ 2,848,645

REQUIRED SUPPLEMENTARY INFORMATION

Last 10 Fiscal Years

		2018
Total OPEB Liability:		
Service cost	$	41,413
Interest		23,658
Change in assumptions		(49,975)
Benefit payments		(24,820)
Net change in total OPEB liability		(9,724)
Total OPEB liability - beginning of year		853,760**
Total OPEB liability - end of year	$	844,036
Covered-employee payroll	$	651,214
Total OPEB liability as a percentage of covered-employee payroll		129.61%

** Based on the implementation of GASB Statement No. 75, the Authority's July 1, 2017 net position was restated by $169,963 because of the recognition of an additional $194,783 for total OPEB liability, which was offset by related deferred outflows of resources of $24,820.

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior. All years prior to 2018 are not available.

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	2015	2016	2017	2018
Authority's proportion of the net pension liability	0.010%	0.029%	0.030%	0.029%
Authority's proportionate share of the net pension liability	$ 631,635	$ 858,293	$ 1,028,615	$ 1,129,568
Authority's covered payroll	$ 583,554	$ 646,526	$ 545,926	$ 505,000
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	115.0%	132.75%	188.42%	223.68%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	79.9%	75.9%	75.4%

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	2017	2018
Contractually required contribution	$ 115,185	$ 96,356	$ 98,159	$ 52,990
Contributions in relation to the contractually required contribution	(115,185)	(96,356)	(98,159)	(52,990)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 647,000	$ 546,000	$ 505,000	$ 318,000
Contributions as a percentage of covered payroll	17.81%	17.65%	19.44%	16.64%

All years prior to 2015 are not available.

NOTE 1 – PURPOSE OF SCHEDULES

A - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The schedule is presented to illustrate the elements of the Authority's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The Authority has not accumulated assets in qualified trust for the purpose of paying the benefits related to the Authority's Total OPEB liability.

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.

NOTE 2 – CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

A – Changes of Benefit Terms

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

B – Changes of Assumptions

The discount rate for Public Employer's Retirement Fund C was 7.50 7.65, 7.65 and 7.15 percent in the June 2013, 2014, 2015 and 2016 actuarial reports, respectively. The discount rate for OPEB was 2.68% and 3.13% as of the June 30, 2016 and 2017 actuarial valuation report, respectively.

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

	2018	2017
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 3,264,981	$ 3,261,900
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	1,770,079	1,632,708
Change in provision for covered events of prior fiscal years	604,748	(779,711)
Total incurred claims and claim adjustment expenses	2,374,827	852,997
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	149,492	81,124
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	1,861,958	768,792
Total payments	2,011,450	849,916
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 3,628,358	$ 3,264,981

The components of the unpaid claims and claim adjustment expenses for the Liability Program as of June 30, 2018 and 2017 were as follows:

	2018	2017
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 3,969,914	$ 3,624,387
Anticipated deductible recoveries	(341,556)	(359,406)
	$ 3,628,358	$ 3,264,981

(Continued)

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

	2018	2017
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 9,725,461	$ 9,312,233
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	3,113,635	3,115,441
Change in provision for covered events of prior fiscal years	439,814	(370,681)
Total incurred claims and claim adjustment expenses	2,673,821	2,744,760
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	318,651	409,130
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	2,568,445	1,922,402
Total payments	2,887,096	2,331,532
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 9,512,186	$ 9,725,461

The components of the unpaid claims and claim adjustment expenses for the Workers' Compensation Program as of June 30, 2018 and 2017 were as follows:

	2018	2017
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	$ 10,313,288	$ 10,537,080
Anticipated deductible recoveries	(801,102)	(811,619)
	$ 9,512,186	$ 9,725,461

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)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM
June 30, 2018

	Fiscal and Policy Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Premiums and investment revenue:										
Earned	$ 2,807,835	$ 2,642,001	$ 2,633,115	$ 2,725,990	$ 2,630,164	$ 2,679,266	$ 2,747,237	$ 2,732,636	$ 3,271,336	$ 3,521,624
Ceded	(1,302,188)	(1,302,949)	(1,139,783)	(1,137,137)	(953,186)	(1,111,821)	(1,118,678)	(1,209,678)	(1,444,881)	(1,662,543)
Net earned	$ 1,505,647	$ 1,339,052	$ 1,493,332	$ 1,588,853	$ 1,676,978	$ 1,526,739	$ 1,628,559	$ 1,522,958	$ 1,826,455	$ 1,859,081
2. Members dividends/rebates - fiscal year credited	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3. Reinsurance premium rebate – fiscal year paid	$ 501,201	$ 494,244	$ 645,508	$ 482,434	$ 456,770	$ 325,557	$ 138,821	$ 196,382	$ 182,683	$ 7,937
4. Unallocated expenses	$ 340,754	$ 445,620	$ 411,077	$ 428,496	$ 369,612	$ 395,640	$ 450,040	$ 434,299	$ 446,681	$ 503,682
5. Estimated losses and expenses, end of policy year:										
Incurred	$ 1,556,127	$ 1,574,694	$ 1,267,982	$ 1,257,393	$ 1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399	$ 1,605,217	$ 1,747,696
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 1,556,127	$ 1,574,694	$ 1,267,982	$ 1,257,393	$1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399	$ 1,605,217	$ 1,747,696
6. Net paid (cumulative) as of:										
End of policy year	$ 82,736	$ 94,935	$ 42,161	$ 27,017	$ 127,708	$ 9,168	$ 57,702	$ 172,801	$ 81,124	$ 149,492
One year later	$ 517,581	$ 312,917	$ 194,147	$ 243,682	$ 258,358	$ 542,900	$ 518,545	$ 352,825	$ 484,545	
Two years later	$ 904,541	$ 485,605	$ 486,177	$ 444,824	$ 1,008,183	$ 910,313	$ 979,174	$ 773,910		
Three years later	$ 1,105,298	$ 771,814	$ 690,347	$ 1,462,267	$ 1,644,667	$ 1,283,884	$ 1,702,980			
Four years later	$ 1,166,472	$ 792,668	$ 870,478	$ 1,507,065	$ 1,687,249	$ 1,248,538				
Five years later	$ 1,609,143	$ 792,268	$ 872,000	$ 1,555,904	$ 1,780,762					
Six years later	$ 1,681,576	$ 792,268	$ 872,000	$ 1,673,675						
Seven years later	$ 1,694,263	$ 792,268	$ 872,000							
Eight years later	$ 1,694,293	$ 802,453								
Nine years later	$ 1,694,293									
7. Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Re-estimated net incurred losses and expenses:										
End of policy year	$ 1,556,127	$ 1,574,694	$ 1,267,982	$ 1,257,393	$ 1,287,409	$ 1,319,036	$ 1,400,620	$ 1,363,399	$ 1,605,217	$ 1,747,696
One year later	$ 1,395,767	$ 1,296,221	$ 887,812	$ 1,142,517	$ 1,671,553	$ 1,286,026	$ 1,397,626	$ 1,081,435	$ 1,489,396	
Two years later	$ 1,451,440	$ 983,560	$ 811,651	$ 977,508	$ 2,197,049	$ 1,250,510	$ 1,577,776	$ 1,124,165		
Three years later	$ 1,390,509	$ 969,274	$ 904,802	$ 1,476,875	$ 2,031,697	$ 1,209,780	$ 2,044,264			
Four years later	$ 1,564,148	$ 853,819	$ 938,155	$ 1,588,197	$ 2,012,661	$ 1,320,327				
Five years later	$ 1,636,954	$ 808,621	$ 892,952	$ 1,574,321	$ 1,962,793					
Six years later	$ 1,674,962	$ 798,145	$ 884,222	$ 1,702,638						
Seven years later	$ 1,695,795	$ 796,442	$ 872,000							
Eight years later	$ 1,695,811	$ 793,378								
Nine years later	$ 1,694,263									
9. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ 138,136	$ (781,316)	$ (395,982)	$ 445,245	$ 675,384	$ 1,291	$ 643,644	$ (239,234)	$ (115,821)	$ -

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, 2018

	Fiscal and Policy Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Premiums and investment revenue:										
Earned	$ 4,118,147	$ 2,943,355	$ 4,055,748	$ 5,463,309	$ 4,252,078	$ 4,478,732	$ 5,131,975	$ 5,554,666	$ 5,767,568	$ 5,806,268
Ceded	(561,611)	(589,607)	(521,612)	(468,693)	(573,762)	(715,074)	(866,862)	(954,810)	(1,172,652)	(1,117,249)
Net earned	$ 3,556,536	$ 2,353,728	$ 3,534,136	$ 4,994,616	$ 3,678,316	$ 3,763,658	$ 4,265,113	$ 4,599,856	$ 4,594,916	$ 4,689,019
2. Members dividends/rebates - fiscal year credited	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 300,000	$ 618,500	$ 650,000
3. Reinsurance premium rebate – fiscal year paid	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4. Unallocated expenses	$ 822,982	$ 1,044,105	$ 1,128,679	$ 1,213,343	$ 1,220,085	$ 1,317,284	$ 1,234,927	$ 1,240,113	$ 1,330,537	$ 1,282,613
5. Estimated losses and expenses, end of policy year:										
Incurred	$ 2,447,082	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888	$ 2,992,620	$ 2,995,809
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 2,447,082	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888	$ 2,992,620	$ 2,995,809
6. Net paid (cumulative) as of:										
End of policy year	$ 470,665	$ 922,303	$ 447,196	$ 575,320	$ 475,789	$ 456,288	$ 241,641	$ 405,417	$ 409,129	$ 318,651
One year later	$ 1,351,023	$ 1,595,005	$ 1,070,063	$ 1,361,488	$ 996,663	$ 1,073,517	$ 813,210	$ 1,308,258	$ 1,001,098	
Two years later	$ 1,927,731	$ 1,942,161	$ 1,334,339	$ 1,725,006	$ 1,467,633	$ 1,476,398	$ 1,053,256	$ 2,148,510		
Three years later	$ 2,150,286	$ 2,154,893	$ 1,452,205	$ 2,157,884	$ 1,615,906	$ 1,738,878	$ 1,284,359			
Four years later	$ 2,465,283	$ 2,230,190	$ 1,500,416	$ 2,296,429	$ 1,791,130	$ 1,901,019				
Five years later	$ 2,569,341	$ 2,350,163	$ 1,578,336	$ 2,412,979	$ 2,002,867					
Six years later	$ 2,679,006	$ 2,442,230	$ 1,689,889	$ 2,468,735						
Seven years later	$ 2,729,713	$ 2,464,909	$ 1,738,724							
Eight years later	$ 2,797,529	$ 2,552,654								
Nine years later	$ 2,824,685									
7. Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Re-estimated net incurred losses and expenses:										
End of policy year	$ 2,447,082	$ 2,542,249	$ 2,256,255	$ 2,146,421	$ 2,263,824	$ 2,509,375	$ 2,627,009	$ 2,712,888	$ 2,992,620	$ 2,995,809
One year later	$ 2,482,107	$ 2,938,238	$ 2,223,653	$ 2,863,435	$ 2,620,184	$ 2,471,332	$ 2,251,344	$ 2,627,469	$ 2,369,519	
Two years later	$ 2,809,061	$ 2,776,575	$ 2,298,948	$ 3,091,394	$ 2,245,699	$ 2,547,681	$ 2,050,784	$ 3,297,571		
Three years later	$ 3,133,757	$ 2,935,253	$ 2,103,141	$ 2,885,792	$ 2,160,808	$ 2,680,598	$ 1,797,784			
Four years later	$ 3,425,314	$ 2,719,431	$ 1,871,016	$ 2,718,354	$ 2,113,631	$ 2,717,503				
Five years later	$ 3,389,214	$ 2,673,776	$ 1,823,146	$ 2,710,221	$ 2,312,342					
Six years later	$ 3,194,845	$ 2,595,976	$ 1,841,458	$ 2,636,106						
Seven years later	$ 3,067,294	$ 2,736,006	$ 1,871,442							
Eight years later	$ 3,156,563	$ 2,822,704								
Nine years later	$ 3,133,004									
9. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ 685,922	$ 280,455	$ (384,813)	$ 489,685	$ 48,518	$ 208,128	$ (829,225)	$ 584,683	$ (623,101)	$ -

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

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, 2018, 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 25, 2018.

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 LLP

Crowe LLP

Sacramento, California
October 25, 2018