

**YOLO COUNTY PUBLIC AGENCY RISK  
MANAGEMENT INSURANCE AUTHORITY**

**FINANCIAL STATEMENTS**

June 30, 2021 and 2020

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
Woodland, California

FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of  
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, 2021 and 2020, 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.

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(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, 2021 and 2020, and the changes in its net position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, the Schedule of Changes in Other Postemployment Benefits (OPEB) Liability on page 34, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 35, the Schedule of the Authority's Contributions on page 36, the Notes to Required Supplementary Information on page 37, the Reconciliation of Claims Liability by Type of Contract on pages 38 and 39, and the Claims Development Information on pages 40 and 42, 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 January 27, 2022 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.

A handwritten signature in black ink that reads "CROWE LLP". The "C" is large and stylized, with the rest of the name in a more standard, slightly cursive script.

Crowe LLP

Fort Lauderdale, Florida  
January 27, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ended June 30, 2021**

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, 2021. 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-one (31) participating Yolo County public entities. The Authority has a governing board comprised of six voting governmental entities. In addition to a staff of six, 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.

The annual financial audit has great value. However, to best understand our year-end position there are three interrelated areas to consider:

1. The trending of our members' premium/cash payments;
2. The funded program reserve levels of our programs; and
3. The analysis of our overall financial positions and results of operations.

#### **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. Premium history by program reflects that after any Board approved premium rebates, the:

- Property Program rate charged to our members has been fairly stable with only 2-4% increases year-over-year for the past five years;
- Fidelity Program has seen essentially flat premiums and rates for the past 16 years;
- Liability Program rates charged to our members have increased year over year for the last five years; and
- Workers' Compensation Program rates charged to our members for the last five years remain stable and are within a very narrow range.

#### **Funded Program Reserves and Dedicated Surplus**

The second 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). Due to inherent volatility in claim outcomes, 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 at 62.6% in catastrophic funds;
- Workers' Compensation has fully funded program reserves and confidence margin but is only funded at 79.0% in catastrophic funds; and
- Property and Fidelity Programs are fully funded in program reserves, confidence margin and catastrophic funds.

In summary, for Fiscal Year 2020-2021, Though YCPARMIA came in under budget in for total Revenues and over budget for Expenses, there agency had operating income of \$36,994 and ended the year with fully funded program reserves and confidence margins. YCPARMIA also has fully funded catastrophic funds in all programs except for Liability and Workers' Compensation. The goal for the coming year is to maintain the funding levels in the fully funded programs, return the Liability and Workers' Compensation Program to a fully funded position, 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, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and indicates net position available for future purposes.
- The Statement of Revenues, Expenses and Changes in Net Position report all revenues and expenses used by operating activities, as well as other cash sources such as investment income.
- More detailed data is available in the notes to the financial statements section.
- This report, in addition to the basic financial statements, contains other supplementary information including a reconciliation of claims liabilities and claims development information as required elements.

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 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 80% confidence level and maintains designated net position at a confidence margin in excess of 90% 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

	Fiscal Year Ended		
	June 30, 2021	June 30, 2020	June 30, 2019
Current Assets	\$11,870,564	\$9,743,315	\$7,137,161
Non-current Assets			
Deposits	14,135	127,670	305,000
Investments	13,618,607	13,843,119	12,940,465
Capital Assets	126,676	116,666	106,925
Total Non-current Assets	<u>13,759,418</u>	<u>14,087,455</u>	<u>13,352,390</u>
Total Assets	<u>25,629,982</u>	<u>23,830,770</u>	<u>20,489,551</u>
Deferred Outflows of Resources	<u>198,662</u>	<u>244,686</u>	<u>278,110</u>
Current Liabilities	5,329,425	4,900,795	4,353,917
Non-current Liabilities	15,876,190	14,622,285	11,004,522
Other Post-Employment Benefits	<u>591,831</u>	<u>583,850</u>	<u>893,130</u>
Total Liabilities	<u>21,797,446</u>	<u>20,106,930</u>	<u>16,251,569</u>
Deferred Inflows of Resources	<u>430,929</u>	<u>484,830</u>	<u>150,320</u>
Net Position			
Investment in Capital Assets	126,676	116,666	106,925
Unrestricted	<u>3,473,593</u>	<u>3,367,030</u>	<u>4,258,847</u>
Total Net Position	<u>\$3,600,269</u>	<u>\$3,483,696</u>	<u>\$4,365,772</u>

Revenues			
Member Contributions	\$14,484,511	\$11,482,752	\$10,793,365
Investments & Other Revenues	<u>(40,039)</u>	<u>1,064,949</u>	<u>794,249</u>
Total Revenues	<u>14,444,472</u>	<u>12,547,701</u>	<u>11,587,614</u>
 Total Expenses	 <u>14,327,899</u>	 <u>13,429,777</u>	 <u>9,787,999</u>
 Change in Net Position	 116,573	 (882,076)	 1,799,615
 Net Position, beginning of year	 <u>3,483,696</u>	 <u>4,365,772</u>	 <u>2,566,157</u>
 Net Position, end of year	 <u>\$3,600,269</u>	 <u>\$3,483,696</u>	 <u>\$4,365,772</u>

### Liability Program

At the primary level (claims under \$500,000 per occurrence), this program has had four years of increased claim costs. This escalation is consistent with similar government results. Members are subject to a \$1,000-\$5,000 deductible per claim. Excess coverage, up to \$40 million per occurrence, is provided through membership in the California Joint Powers Risk Management Authority (CJPRMA).

- Since FY 2015-2016 we have witnessed premium increases averaging about 13%;
- Member costs per \$100 of payroll, at about \$1.99, are 79% 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 2019-2020; 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 dangerous condition type claims.

### 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.

- Member cost per \$100 of payroll is \$2.60 or about 37% 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 steady and range bound for the last five years;
- Claim severity, as measured by indemnity losses, has been trending slightly upward;
- Benefits paid for injured workers averaged \$287,655 per month as opposed to \$272,891 the previous year.

### 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.

- Frequency and severity have remained relatively constant;
- Declared property values have increased from \$260 million in 1995 to almost \$1.4 billion at the end of this fiscal year (over 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, which is fully funded, covers the dishonest acts of all employees and elected officials. Member cost is approximately \$0.012 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.

**CONCLUSION**

For FY 2020-2021, YCPARMIA finished the year under budget for total Revenues (98%) and over budget for Expenses (108%); the net position increased by \$116,573. All but Liability and Workers' Compensation programs are fully funded to Board approved target equity and industry best practices levels.

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.

Carol Von Kaenel  
Interim Executive Director

January 27, 2022



## **FINANCIAL STATEMENTS**

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
STATEMENTS OF NET POSITION  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 9,892,489	\$ 7,454,744
Receivables:		
Member agencies	75,051	127,321
Interest	53,832	72,736
Other	247,026	774,881
Investments maturing within one year (Note 3)	1,448,671	1,313,633
Prepaid insurance	153,495	-
Total current assets	11,870,564	9,743,315
Deposits	14,135	127,670
Investments, less portion maturing within one year (Note 3)	13,618,607	13,843,119
Non-depreciable capital assets (Note 4)	93,005	93,005
Depreciable capital assets, net of accumulated depreciation (Note 4)	33,671	23,661
Total non-current assets	13,759,418	14,087,455
Total assets	25,629,982	23,830,770
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources – OPEB (Note 5)	46,335	51,677
Deferred outflows of resources – pensions (Note 10)	152,327	193,009
Total deferred outflows of resources	198,662	244,686
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	180,876	254,411
Payroll payable	19,563	17,398
Current portion of unpaid claims and claim adjustment expenses, net of deductible recoveries:		
Liability and workers' compensation (Note 6)	5,100,000	4,600,000
Property and other	28,986	28,986
Total current liabilities	5,329,425	4,900,795
Other postemployment benefits (Note 5)	591,831	583,850
Net pension liability (Note 10)	1,264,911	1,181,557
Unpaid claims and claim adjustment expenses net of deductible recoveries and current portion:		
Liability and workers' compensation (Note 6)	14,611,279	13,440,728
Total non-current liabilities	16,468,021	15,206,135
Total liabilities	21,797,446	20,106,930
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources – OPEB (Note 5)	257,945	317,645
Deferred inflows of resources – pensions (Note 10)	172,984	167,185
Total deferred inflows of resources	430,929	484,830
<b>NET POSITION</b>		
Net position (Note 7):		
Net invested in capital assets	126,676	116,666
Unrestricted	3,473,593	3,367,030
Total net position	\$ 3,600,269	\$ 3,483,696

See accompanying notes to financial statements.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
Years Ended June 30, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
Operating revenues:		
Member contributions	\$ 14,484,511	\$ 11,482,752
Other (expense) income	<u>(119,618)</u>	<u>156,942</u>
Total operating revenues	14,364,893	11,639,694
Operating expenses:		
Provision for claims and claim adjustment:		
Liability and workers' compensation (Note 6)	8,863,606	8,272,453
Property and other	106,084	63,675
Other postemployment benefits (Note 5)	(46,377)	(28,114)
Reinsurance premiums (Note 8)	4,237,647	3,879,777
General and administrative	<u>1,166,939</u>	<u>1,241,986</u>
Total operating expenses	14,327,899	13,429,777
Operating income (loss)	36,994	(1,790,083)
Non-operating (expenses) revenues:		
Investment income	324,481	459,108
Net change in fair value of investments	<u>(244,902)</u>	<u>448,899</u>
Total non-operating revenues	79,579	908,007
Change in net position	116,573	(882,076)
Net position, beginning of year	<u>3,483,696</u>	<u>4,365,772</u>
Net position, end of year	<u>\$ 3,600,269</u>	<u>\$ 3,483,696</u>

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See accompanying notes to financial statements.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows provided by operating activities:</b>		
Cash received from members and others	\$ 15,269,506	\$ 10,829,438
Cash paid for claims and settlements	(7,299,139)	(4,511,785)
Cash paid for reinsurance	(4,391,142)	(3,829,462)
Cash paid to suppliers and employees	(1,313,849)	(436,359)
Net cash provided by operating activities	<u>2,265,376</u>	<u>2,051,832</u>
<b>Cash used in capital and related financing activities:</b>		
Purchase of capital assets	(15,588)	(15,500)
Net cash used in financing activities	<u>(15,588)</u>	<u>(15,500)</u>
<b>Cash flows provided by investing activities:</b>		
Investments purchased	(5,519,001)	(4,692,601)
Investments sold and matured	5,363,573	4,385,380
Interest received	343,385	459,073
Net cash provided by investing activities	<u>187,957</u>	<u>151,852</u>
Net change in cash and cash equivalents	2,437,745	2,188,184
Cash and cash equivalents, beginning of year	<u>7,454,744</u>	<u>5,266,560</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,892,489</u></u>	<u><u>\$ 7,454,744</u></u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating income (loss)	\$ 36,994	\$ (1,790,083)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,578	5,759
(Increase) decrease in assets:		
Receivables - member agencies	52,270	(94,608)
Receivables – other	527,855	(507,099)
Prepaid insurance	(153,495)	37,238
Deposits	113,535	177,330
Deferred outflows of resources	46,024	33,424
Increase (decrease) in liabilities:		
Accounts payable and payroll payable	(71,370)	246,878
Other postemployment benefits	7,981	(309,280)
Net pension liability	83,354	80,343
Unpaid claims and claim adjustment expenses	1,670,551	3,837,420
Deferred inflows of resources	(53,901)	334,510
Total adjustments	<u>2,228,382</u>	<u>3,841,915</u>
Net cash provided by operating activities	<u><u>\$ 2,265,376</u></u>	<u><u>\$ 2,051,832</u></u>

See accompanying notes to financial statements.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**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-one 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 the 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 Public Risk Innovation, Solutions and Management (PRISM) 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.

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 changes 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.

Receivables – Member Agencies: Amounts due from members at June 30. No allowances for doubtful accounts have been recorded because amounts are expected to be collected.

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.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**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 of 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 other postemployment benefits and pensions which is reported 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 of 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 other postemployment benefits and pensions which is reported 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.

Coverage Limits: The Authority provides coverage for Liability claims up to \$500,000 and for Workers' Compensation claims up to \$1,000,000. Excess insurance is through third-party, see Note 8.

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.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Subsequent Events: The Authority has reviewed all events occurring from June 30, 2021 through January 27, 2022, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents:		
Cash on hand	\$ -	\$ 50
Cash in bank	357,509	912,391
Money market	136,999	4,351
Cash in Local Agency Investment Fund	<u>9,397,981</u>	<u>6,537,952</u>
 Total cash and cash equivalents	 <u>\$ 9,892,489</u>	 <u>\$ 7,454,744</u>

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, 2021, the carrying amount of the Authority's accounts was \$357,509, and the bank balances were \$601,395, of which \$351,395 was uninsured but collateralized. At June 30, 2020, the carrying amount of the Authority's accounts was \$912,391 and the bank balances were \$1,183,247, of which \$933,247 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.

Local Agency Investment Fund (LAIF): The Authority places certain funds with LAIF. 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 and invests the cash. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferrable to the master account with twenty-four hours' notice. 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 currently unrated and has an average life of 191 days.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)**

The monies held in the pooled investment funds are not subject to categorization by risk category. LAIF is administered by the State Treasurer and is 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 located at 915 Capitol Mall, Sacramento, CA 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain their goal of safety, liquidity, and yield are not jeopardized.

**NOTE 3 - INVESTMENTS**

Investments: Investments at June 30, 2021 and 2020 are reported at fair value and consisted of the following:

	<u>Rating</u>	<u>2021</u>	<u>2020</u>
Investments:			
US Government sponsored entities and agencies	AA+	\$ 5,157,845	\$ 5,606,529
US Government sponsored entities and agencies - Not Rated	*	-	340,534
Mortgages	AAA	808,922	615,914
Mortgages - Not Rated	*	1,313,824	1,437,968
Supranational	AAA	692,834	178,516
Supranational - Not Rated	*	247,606	251,818
US Corporate Notes	AAA	110,026	171,750
US Corporate Notes	AA+	134,873	137,419
US Corporate Notes	AA	362,306	297,620
US Corporate Notes	A+	460,651	440,922
US Corporate Notes	A	1,103,140	1,770,119
US Corporate Notes	A-	955,831	778,689
US Treasury	TSY	<u>3,719,420</u>	<u>3,128,954</u>
Total investments		<u>\$ 15,067,278</u>	<u>\$ 15,156,752</u>

Investment security ratings reported as of June 30, 2021 and 2020 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.

\*Those that are Not Rated are rated by either Moody's or Fitch as AAA.

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(Continued)



YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**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, 2021 and 2020, 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:

<u>Description</u>	<u>Fair Value</u>	<u>2021</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Government sponsored entities and agencies	\$ 5,157,845	\$ -	\$ 5,157,845	\$ -
Mortgages	2,122,746	-	2,122,746	-
Supranational	940,440	-	940,440	-
US Corporate notes	3,126,827	-	3,126,827	-
Treasury	3,719,420	-	3,719,420	-
	<u>\$ 15,067,278</u>	<u>\$ -</u>	<u>\$ 15,067,278</u>	<u>\$ -</u>

<u>Description</u>	<u>Fair Value</u>	<u>2020</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Government sponsored entities and agencies	\$ 5,947,063	\$ -	\$ 5,947,063	\$ -
Mortgages	2,053,882	-	2,053,882	-
Supranational	430,334	-	430,334	-
US Corporate notes	3,596,519	-	3,596,519	-
Treasury	3,128,954	-	3,128,954	-
	<u>\$ 15,156,752</u>	<u>\$ -</u>	<u>\$ 15,156,752</u>	<u>\$ -</u>

*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, supranational, US corporate notes and treasury are classified within level 2 of the fair value hierarchy.

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 3 - INVESTMENTS (Continued)**

The Authority had no non-recurring assets and no liabilities at June 30, 2021 and June 30, 2020 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, 2021 and 2020, 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, 2021 and 2020 consist of the following:

		<u>2021</u>	
		Maturity	
	<u>Fair Value</u>	<u>Less than One Year</u>	<u>Greater than One Year</u>
Investments maturities:			
US Government sponsored entities and agencies	\$ 5,157,845	\$ 554,319	\$ 4,603,526
Mortgages	2,122,746	113,256	2,009,490
Supranational	940,440	247,606	692,834
US Corporate notes	3,126,827	358,025	2,768,802
Treasury	3,719,420	175,465	3,543,955
	<u>\$ 15,067,278</u>	<u>\$ 1,448,671</u>	<u>\$ 13,618,607</u>

		<u>2020</u>	
		Maturity	
	<u>Fair Value</u>	<u>Less than One Year</u>	<u>Greater than One Year</u>
Investments maturities:			
US Government sponsored entities and agencies	\$ 5,947,063	\$ 394,720	\$ 5,552,343
Mortgages	2,053,882	80,460	1,973,422
Supranational	430,334	101,085	329,249
US Corporate notes	3,596,519	737,368	2,859,151
Treasury	3,128,954	-	3,128,954
	<u>\$ 15,156,752</u>	<u>\$ 1,313,633</u>	<u>\$ 13,843,119</u>

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

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**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, 2021 and 2020, the Authority had the following investments that represent more than five percent of the Authority's net investments:

	<u>2021</u>	<u>2020</u>
United States Treasury Notes	24%	22%
Federal Home Loan Mortgage Co.	17%	13%
Federal National Mortgage Associate	13%	15%
Federal Home Loan Bank	11%	15%

**NOTE 4 - CAPITAL ASSETS**

Capital assets at June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Non-Depreciable:		
Land	\$ 93,005	\$ 93,005
Depreciable:		
Furniture and equipment	107,645	103,730
Building	356,631	356,631
Building improvements	11,673	-
	<u>568,954</u>	<u>553,366</u>
Accumulated depreciation:		
Furniture and equipment	(85,259)	(80,069)
Building	(357,019)	(356,631)
	<u>(442,278)</u>	<u>(436,700)</u>
Total capital assets	<u>\$ 126,676</u>	<u>\$ 116,666</u>

**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS**

Plan Description: The Authority provides healthcare benefits under a single employer defined benefit OPEB 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.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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, 2021, 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.

*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 2021 and 2020.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2021:

	<u>Number of Participants</u>
Inactive plan members currently receiving benefits	6
Active plan members	8
	<hr/>
	14
	<hr/> <hr/>

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 \$32,191 and \$41,201 for the years ended June 30, 2021 and 2020, respectively. Employees are not required to contribute to the OPEB plan.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Actuarial Assumptions:* The total OPEB liability in the June 30, 2021 actuarial valuation, measurement date of June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

**Important Dates**

Fiscal Year End	June 30, 2021
GASB 75 Measurement Date	Last day of the prior fiscal year (June 30, 2020)
Valuation Date	June 30, 2019

**Valuation Methods**

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Not applicable (\$0; no OPEB trust has been established)
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.

**Development of Age-related  
Medical Premiums**

Medical claims by age were estimated based on data provided in the 2013 paper "Health Care Costs – From Birth to Death", prepared by Dale H. Yamamoto, and sponsored by the Society of Actuaries. A description of MacLeod Watts Age Rating Methodology is provided in Addendum 2 to this report.

Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying the medical claim cost factors to monthly baseline premium costs. The monthly baseline premium costs were set equal to the active employee-only premiums shown in the chart at the bottom of Section 2.

Representative claims costs derived from the dataset provided by CalPERS for retirees is shown on the following page.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Development of Age-related  
Medical Premiums (continued)

Expected Monthly Claims by Medical Plan for Selected Ages						
Region	Medical Plan	Male				
		50	53	56	59	62
Region 1	Anthem Traditional HMO	\$ 1,145	\$ 1,350	\$ 1,568	\$ 1,797	\$ 2,043
	Blue Shield Access+ HMO	989	1,166	1,354	1,552	1,764
	Kaiser HMO	763	900	1,045	1,198	1,362
	PERS Choice PPO	773	912	1,059	1,214	1,380
	PERSCare PPO	960	1,132	1,315	1,507	1,714
	UnitedHealthcare HMO	757	893	1,037	1,188	1,351
Region 2	Kaiser HMO	634	747	868	995	1,131
	PERSCare PPO	767	905	1,051	1,205	1,369
Region	Medical Plan	Female				
		50	53	56	59	62
Region 1	Anthem Traditional HMO	\$ 1,419	\$ 1,558	\$ 1,677	\$ 1,812	\$ 1,998
	Blue Shield Access+ HMO	1,225	1,346	1,448	1,565	1,725
	Kaiser HMO	946	1,039	1,118	1,208	1,331
	PERS Choice PPO	958	1,052	1,132	1,224	1,349
	PERSCare PPO	1,190	1,307	1,406	1,520	1,675
	UnitedHealthcare HMO	938	1,030	1,109	1,198	1,321
Region 2	Kaiser HMO	785	863	928	1,003	1,106
	PERSCare PPO	951	1,044	1,124	1,214	1,339

**Economic Assumptions**

Municipal Bond Index	S&P Municipal Bond 20 Year High Grade Index
Discount Rate	2.66% as of June 30, 2020 2.79% as of June 30, 2019
General Inflation Rate	2.5% per year
Salary Increase	3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.
Employer Benefit Cap	It is assumed that there will be no future increases in the employer benefit cap.

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Healthcare Trend**

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

Effective July 1	Premium Increase	Effective July 1	Premium Increase
2020	Actual	2060-66	4.80%
2021	5.40%	2067	4.70%
2022	5.30%	2068	4.60%
2023-26	5.20%	2069	4.50%
2027-46	5.30%	2070-71	4.40%
2047	5.20%	2072	4.30%
2048-49	5.10%	2073-74	4.20%
2050-53	5.00%	2075	4.10%
2054-59	4.90%	2076 & later	4.00%

The healthcare trend shown above was developed using the Getzen Model 2019\_b published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.5%; Excess Medical Growth 1.2%; Expected Health Share of GDP in 2028 20.5%; Resistance Point 25%; Year after which medical growth is limited to growth in GDP 2076.

Dental premiums are assumed to increase annually by 3%.

**Participant Election Assumptions**

**Participation Rates**

*Eligible active employees:* 100% are assumed to continue their current medical plan election in retirement; if currently waiving medical coverage, the employee is assumed to elect coverage in the Kaiser Region 1 plan in retirement.

All eligible active employees are also assumed to elect YCPARMIA's dental plan coverage in retirement.

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

**Dependent 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.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Demographic Assumptions**

*Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. The representative mortality rates were the published CalPERS rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015, then projected as described below.*

Mortality Improvement                      MacLeod Watts Scale 2018 applied generationally from 2015  
(see Addendum 3)

Retirement Formulas

		Misc
Classic:	2.5%	@ 55
PEPRA:	2.0%	@ 62

For samples rates of assumed mortality, service and disability retirement and separation (termination) prior to retirement at selected ages, please refer to our June 30, 2019 valuation report and/or the CalPERS experience study referenced above.

**Changes recognized in the current measurement period:**

Discount rate                      Changed from 2.79% as of June 30, 2019, to 2.66% as of June 30, 2020, based on the published change in return for the applicable municipal bond index.

*The actuarial assumptions above were taken directly from the Authority's June 30, 2021 actuarial valuation report.*

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(Continued)



YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*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 2.66% and 2.79% at June 30, 2021 and 2020 measurement date, respectively. The discount rate used in the actuarial valuation is based on the S&P Municipal Bond 20 Year High Grade Index.

*Changes in Total OPEB Liability*

	Total OPEB <u>Liability</u>
Balance, June 30, 2019	\$ 893,130
Changes for the year:	
Service cost	42,186
Interest	27,388
Differences between expected and actual experience	(188,432)
Changes in assumptions	(157,940)
Benefit payments	<u>(32,482)</u>
Net change	<u>(309,280)</u>
Balance June 30, 2020	583,850
Changes for the year:	
Service cost	24,730
Interest	16,405
Changes in assumptions	8,047
Benefit payments	<u>(41,201)</u>
Net change	<u>7,981</u>
Balance June 30, 2021	<u><u>\$ 591,831</u></u>

There were no changes in benefits since the prior measurement date or between the current measurement date and the year ended June 30, 2021, that had a significant effect on the Authority's total OPEB liability.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*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:

	2021		
	Discount Rate 1% Lower (1.66%)	Valuation Discount Rate (2.66%)	Discount Rate 1% Higher (3.66%)
Total OPEB Liability	<u>\$ 660,580</u>	<u>\$ 591,831</u>	<u>\$ 534,548</u>
	2020		
	Discount Rate 1% Lower (1.79%)	Valuation Discount Rate (2.79%)	Discount Rate 1% Higher (3.79%)
Total OPEB Liability	<u>\$ 650,005</u>	<u>\$ 583,850</u>	<u>\$ 528,605</u>

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

Healthcare Cost Trend Rate was assumed to start at 5.4% and then fluctuate to an ultimate increase rate of 4.0% for years 2076 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

	2021		
	<u>Current Trend -1%</u>	<u>Current Trend</u>	<u>Current Trend +1%</u>
Total OPEB Liability	<u>\$ 571,918</u>	<u>\$ 591,831</u>	<u>\$ 623,222</u>
	2020		
	<u>Current Trend -1%</u>	<u>Current Trend</u>	<u>Current Trend +1%</u>
Total OPEB Liability	<u>\$ 564,206</u>	<u>\$ 583,850</u>	<u>\$ 614,818</u>

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

For the years ended June 30, 2021 and 2020, the Authority recognized OPEB expense of \$46,377 and \$28,114, respectively. At June 30, 2021, 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	\$ -	\$ 133,814
Change of assumptions	14,144	124,131
Contributions made subsequent to measurement date	<u>32,191</u>	<u>-</u>
Total	<u>\$ 46,335</u>	<u>\$ 257,945</u>

At June 30, 2020, 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	\$ -	\$ 161,123
Change of assumptions	10,476	156,522
Contributions made subsequent to measurement date	<u>41,201</u>	<u>-</u>
Total	<u>\$ 51,677</u>	<u>\$ 317,645</u>

\$32,191 and \$41,201 are reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the years ended June 30, 2021 and 2020, respectively.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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 <u>June 30,</u>		
2022	\$	(55,321)
2023	\$	(48,290)
2024	\$	(48,196)
2025	\$	(49,033)
2026	\$	(44,012)
Thereafter	\$	1,051

*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*

**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

	<u>2021</u>	<u>2020</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	<u>\$ 18,040,728</u>	<u>\$ 14,203,308</u>
Incurring claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	5,904,782	5,645,929
Change in provision for covered events of prior fiscal years	<u>2,958,824</u>	<u>2,626,524</u>
Total incurred claims and claim adjustment expenses	<u>8,863,606</u>	<u>8,272,453</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	817,198	685,981
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	<u>6,375,857</u>	<u>3,749,052</u>
Total payments	<u>7,193,055</u>	<u>4,435,033</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u><u>\$ 19,711,279</u></u>	<u><u>\$ 18,040,728</u></u>

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 6 - UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES (Continued)**

The components of the unpaid claims and claim adjustment expenses for the Liability and Workers' Compensation Programs as of June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	\$ 21,450,512	\$ 19,621,563
Anticipated deductible recoveries	<u>(1,739,233)</u>	<u>(1,580,835)</u>
Net of anticipated deductible recoveries	19,711,279	18,040,728
Current portion	<u>(5,100,000)</u>	<u>(4,600,000)</u>
Non-current portion	<u>\$ 14,611,279</u>	<u>\$ 13,440,728</u>

These liabilities are reported at their present value using an expected future investment yield assumption of one percent for June 30, 2021 and 2020, respectively. The undiscounted liabilities are \$19,758,055 and \$18,096,343 at June 30, 2021 and 2020, respectively.

**NOTE 7 - NET POSITION**

By Board policy, the Authority creates two 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, <u>2021</u>	June 30, <u>2020</u>	Funding <u>Level</u>
Liability Program	\$ 976,622	\$ 439,102	Fully funded
Workers Compensation Program	\$ 1,007,595	\$ 1,608,655	Fully funded
Fidelity Program	\$ 25,000	\$ 25,000	Fully funded
Property/Boiler and Machinery Program	\$ 115,000	\$ 115,000	Fully funded

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

	June 30, <u>2021</u>	June 30, <u>2020</u>	Funding <u>Level</u>
Liability Program	\$ 1,650,000	\$ 1,500,000	Fully funded
Workers Compensation Program	\$ 1,800,000	\$ 1,500,000	Fully funded
Fidelity Program	\$ 25,000	\$ 25,000	Fully funded
Property/Boiler and Machinery Program	\$ 100,000	\$ 100,000	Fully funded

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**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:

	<u>Liability</u>	<u>Workers' Compensation</u>	<u>Property</u>
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, 2020	\$ 500,000	\$ 500,000	\$ 25,000
July 1, 2020 to June 30, 2021	\$ 500,000	\$ 1,000,000	\$ 25,000

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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Property and other	\$ 594,566	\$ 592,443
Liability	2,976,709	2,150,213
Workers' compensation	<u>666,372</u>	<u>1,137,121</u>
	<u>\$ 4,237,647</u>	<u>\$ 3,879,777</u>

**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 up to 25% of their annual compensation, not to exceed \$19,500. 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. There were no contributions made by the Authority for the years ended June 30, 2021 and 2020.

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(Continued)

**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.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from plan 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 years ended June 30, 2021 and 2020 were as follows:

*Members* – Under Miscellaneous 2.5% at 55, the member contribution rate was 8.00 percent of applicable member earnings for fiscal year 2020-21 and 2019-20. Under Miscellaneous 2% at 62, the member contribution rate was 6.75 percent of applicable member earnings for fiscal year 2020-21 and 2019-20, respectively.

*Employers* – At June 30, 2021 and 2020, the effective employer contribution rate was 12.200 and 11.432 percent, respectively, of applicable member earnings.

For the years ended June 30, 2021, 2020 and 2019, the Authority's annual pension cost of \$31,963, \$40,893 and \$43,052, respectively and the Authority contributed to CalPERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$31,963, \$40,893, and \$43,052, respectively.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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

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

At June 30, 2021, the JPA reported a liability of \$1,264,911 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the JPA reported a liability of \$1,181,557 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2021, the JPA's proportion was 0.030 percent, which was a 0.01 increase from its proportion measured as of June 30, 2020. At June 30, 2020, the JPA's proportion was 0.029 percent, which was no change from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 and 2020, the JPA recognized pension expense of \$161,799 and \$208,002, respectively. At June 30, 2021, 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	\$ 65,185	\$ -
Changes of assumptions	-	9,022
Net differences between projected and actual earnings on investments	37,576	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	17,603	163,962
Contributions made subsequent to measurement date	<u>31,963</u>	<u>-</u>
Total	<u>\$ 152,327</u>	<u>\$ 172,984</u>

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(Continued)



YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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

At June 30, 2020, 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	\$ 82,064	\$ 6,359
Changes of assumptions	56,342	19,973
Net differences between projected and actual earnings on investments	-	20,657
Changes in proportion and differences between JPA contributions and proportionate share of contributions	13,710	120,196
Contributions made subsequent to measurement date	<u>40,893</u>	<u>-</u>
Total	<u>\$ 193,009</u>	<u>\$ 167,185</u>

\$31,963 and \$40,893, respectively, are 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 for the years ended June 30, 2021 and 2020. 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 <u>June 30,</u>	
2022	\$ (58,826)
2023	\$ (15,104)
2024	\$ 3,287
2025	\$ 18,023

There were no changes between the measurement date and the year ended June 30, 2021 which had a significant effect on the Authority's total net pension liability.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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

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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	1997 to 2015
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Post-retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power

The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement mortality rates include 15 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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.

<u>Asset Class</u>	<u>Long-Term % Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10**</u>	<u>Expected Real Rate of Return Years 11+***</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	13	3.75	4.93
Liquidity	1	-	(0.92)

\*\* An expected inflation of 2.00% used for this period.

\*\*\* An expected inflation of 2.92% used for this period.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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

Discount rate: At June 30, 2021 and 2020, the discount rate used to measure the total pension liability was 7.15%. 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.

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.

Sensitivity of the JPA's proportionate share of the net pension liability to changes in the discount rate. For the year ended June 30, 2021 and 2020, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 7.15, 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:

	<u>For the year ended June 30, 2021</u>		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
JPA's proportionate share of the net pension liability	<u>\$ 1,946,241</u>	<u>\$ 1,264,911</u>	<u>\$ 701,950</u>
	<u>For the year ended June 30, 2020</u>		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
JPA's proportionate share of the net pension liability	<u>\$ 1,808,301</u>	<u>\$ 1,181,557</u>	<u>\$ 664,224</u>

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

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 11 - JOINT POWERS AGREEMENT**

The Authority participates in two joint powers agreements with California Joint Powers Risk Management Authority (CJPRMA) and Public Risk Innovation, Solutions and Management (PRISM). 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. PRISM arranges for and provides excess property coverage up to \$600 million less the Authority's self-insured retention. PRISM also arranges for and provides excess workers' compensation coverage for losses up to statutory limits less the Authority's self-insured retention. 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.

Condensed financial information for the fiscal year ended June 30, 2020 (the most current information available) is as follows:

	<u>CJPRMA</u>	<u>PRISM</u>
Total assets	\$ 60,018,039	\$ 869,564,195
Deferred outflows of resources	571,109	1,995,729
Total liabilities	65,601,446	696,590,968
Deferred inflows of resources	<u>141,666</u>	<u>705,974</u>
Net position	<u><u>\$ (5,153,964)</u></u>	<u><u>\$ 174,262,982</u></u>
Revenues	\$ 28,014,934	\$ 1,158,410,258
Expenses	<u>37,228,854</u>	<u>1,184,179,129</u>
Change in net position	<u><u>\$ (9,213,920)</u></u>	<u><u>\$ (25,768,871)</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
June 30, 2021

	Last 10 Fiscal Years			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Total OPEB Liability:</b>				
Service cost	\$ 41,413	\$ 38,796	\$ 42,186	\$ 24,730
Interest	23,658	27,105	27,388	16,405
Differences between expected and actual				
Experience	-	-	(188,432)	-
Change in assumptions	(49,975)	16,902	(157,940)	8,047
Benefit payments	<u>(24,820)</u>	<u>(33,709)</u>	<u>(32,482)</u>	<u>(41,201)</u>
<b>Net Change in total OPEB liability</b>	(9,724)	49,094	(309,280)	7,981
<b>Total OPEB liability - beginning of year</b>	<u>853,760</u>	<u>844,036</u>	<u>893,130</u>	<u>583,850</u>
<b>Total OPEB liability - end of year</b>	<u>\$ 844,036</u>	<u>\$ 893,130</u>	<u>\$ 583,850</u>	<u>\$ 591,831</u>
<b>Covered payroll</b>	\$ 624,000	\$ 613,000	\$ 552,000	\$ 636,000
<b>Total OPEB liability as a percentage of covered payroll</b>	135.26%	145.70%	105.77%	93.06%

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.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
June 30, 2021

	Public Employer's Retirement Fund C Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Authority's proportion of the net pension liability	0.010%	0.029%	0.030%	0.029%	0.029%	0.029%	0.030%
Authority's proportionate share of the net pension liability	\$ 631,635	\$ 858,293	\$ 1,028,615	\$ 1,129,568	\$ 1,101,214	\$ 1,181,557	\$ 1,264,911
Authority's covered payroll	\$ 584,000	\$ 570,000	\$ 574,000	\$ 583,000	\$ 611,000	\$ 542,000	\$ 568,000
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	115.00%	150.58%	179.20%	193.75%	180.23%	217.99%	222.70%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	79.9%	75.9%	75.4%	77.7%	75.3%	76.0%

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.

See accompanying notes to required supplementary information

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
June 30, 2021

	Public Employer's Retirement Fund C Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 92,026	\$ 51,023	\$ 53,461	\$ 52,990	\$ 43,052	\$ 40,893	\$ 31,963
Contributions in relation to the contractually required contribution	<u>(92,026)</u>	<u>(51,023)</u>	<u>(53,461)</u>	<u>(52,990)</u>	<u>(43,052)</u>	<u>(40,893)</u>	<u>(31,963)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 570,000	\$ 574,000	\$ 583,000	\$ 611,000	\$ 542,000	\$ 568,000	\$ 354,000
Contributions as a percentage of covered payroll	16.16%	8.88%	9.17%	8.67%	7.94%	7.20%	9.03%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information



## **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, 7.15, 7.15, 7.15, and 7.15 percent in the June 2013, 2014, 2015, 2016, 2017, 2018, and 2019 actuarial reports, respectively. The discount rate for OPEB was 2.68, 3.13, 2.98, 2.79, and 2.66 percent as of the June 30, 2016, 2017, 2018, 2019, and 2020 actuarial valuation reports, respectively.

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT  
LIABILITY PROGRAM  
June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 6,732,317	\$ 3,989,029
Incurring claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	1,986,492	2,237,074
Change in provision for covered events of prior fiscal years	<u>(332,614)</u>	<u>1,903,580</u>
Total incurred claims and claim adjustment expenses	<u>1,653,878</u>	<u>4,140,654</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	91,543	131,519
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	<u>1,724,092</u>	<u>1,265,847</u>
Total payments	<u>1,815,635</u>	<u>1,397,366</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 6,570,560</u>	<u>\$ 6,732,317</u>

The components of the unpaid claims and claim adjustment expenses for the Liability Program as of June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	\$ 7,222,175	\$ 7,405,740
Anticipated deductible recoveries	<u>(651,615)</u>	<u>(673,423)</u>
Net of anticipated deductible recoveries	<u>\$ 6,570,560</u>	<u>\$ 6,732,317</u>

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT  
WORKERS' COMPENSATION PROGRAM  
June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 11,308,411	\$ 10,214,279
Incurring claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	3,918,290	3,408,855
Change in provision for covered events of prior fiscal years	<u>3,291,438</u>	<u>722,944</u>
Total incurred claims and claim adjustment expenses	<u>7,209,728</u>	<u>4,131,799</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	725,655	554,462
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	<u>4,651,765</u>	<u>2,483,205</u>
Total payments	<u>5,377,420</u>	<u>3,037,667</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 13,140,719</u>	<u>\$ 11,308,411</u>

The components of the unpaid claims and claim adjustment expenses for the Workers' Compensation Program as of June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Reported claims, incurred but not reported claims and unallocated loss adjustment expenses	\$ 14,228,337	\$ 12,889,246
Anticipated deductible recoveries	<u>(1,087,618)</u>	<u>(1,580,835)</u>
Net of anticipated deductible recoveries	<u>\$ 13,140,719</u>	<u>\$ 11,308,411</u>

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YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
CLAIMS DEVELOPMENT INFORMATION  
June 30, 2021 and 2020

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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.

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(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM  
June 30, 2021

	Fiscal and Policy Years Ended June 30,									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1. Premiums and investment revenue										
Earned	\$ 2,725,990	\$ 2,630,164	\$ 2,679,266	\$ 2,747,237	\$ 2,732,636	\$ 3,271,336	\$ 3,521,624	\$ 4,022,142	\$ 4,688,196	\$ 6,419,741
Ceded	(1,137,137)	(953,186)	(1,111,821)	(1,118,678)	(1,209,678)	(1,444,881)	(1,662,543)	(1,633,495)	(2,150,213)	(2,976,709)
Net earned	<u>\$ 1,588,853</u>	<u>\$ 1,676,978</u>	<u>\$ 1,567,445</u>	<u>\$ 1,628,559</u>	<u>\$ 1,522,958</u>	<u>\$ 1,826,455</u>	<u>\$ 1,859,081</u>	<u>\$ 2,388,647</u>	<u>\$ 2,537,983</u>	<u>\$ 3,443,032</u>
2. Members dividends/rebates - fiscal year credited	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Reinsurance premium rebate - fiscal year paid	\$ 482,434	\$ 456,770	\$ 325,557	\$ 138,821	\$ 196,382	\$ 182,683	\$ 7,937	\$ -	\$ -	\$ -
4. Unallocated Expenses	\$ 428,496	\$ 369,612	\$ 395,640	\$ 450,040	\$ 434,299	\$ 446,681	\$ 503,682	\$ 374,146	\$ 422,275	\$ 399,991
5. Estimated losses and expenses, end of policy year										
Incurred	\$ 1,257,393	\$ 1,287,409	\$ 1,319,036	\$ 1,400,620	\$ 1,363,399	\$ 1,605,217	\$ 1,747,696	\$ 1,697,857	\$ 2,237,074	\$ 1,986,492
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	<u>\$ 1,257,393</u>	<u>\$ 1,287,409</u>	<u>\$ 1,319,036</u>	<u>\$ 1,400,620</u>	<u>\$ 1,363,399</u>	<u>\$ 1,605,217</u>	<u>\$ 1,747,696</u>	<u>\$ 1,697,857</u>	<u>\$ 2,237,074</u>	<u>\$ 1,986,492</u>
6. Net paid (cumulative) as of:										
End of policy year	\$ 27,017	\$ 127,708	\$ 9,168	\$ 57,702	\$ 172,801	\$ 81,124	\$ 149,492	\$ 69,632	\$ 131,519	\$ 91,543
One year later	\$ 243,682	\$ 258,358	\$ 542,900	\$ 518,545	\$ 352,825	\$ 484,545	\$ 751,046	\$ 167,712	\$ 591,953	
Two years later	\$ 444,824	\$ 1,008,183	\$ 910,313	\$ 979,174	\$ 773,910	\$ 757,244	\$ 990,257	\$ 394,500		
Three years later	\$ 1,462,267	\$ 1,644,667	\$ 1,283,884	\$ 1,702,980	\$ 853,517	\$ 993,243	\$ 1,577,133			
Four years later	\$ 1,507,065	\$ 1,687,249	\$ 1,394,715	\$ 1,737,501	\$ 1,040,454	\$ 1,158,260				
Five years later	\$ 1,555,904	\$ 1,780,762	\$ 1,296,502	\$ 1,950,690	\$ 1,073,148					
Six years later	\$ 1,673,675	\$ 1,864,621	\$ 1,390,204	\$ 1,952,814						
Seven years later	\$ 1,673,675	\$ 1,796,050	\$ 1,393,199							
Eight years later	\$ 1,673,675	\$ 2,029,116								
Nine years later	\$ 1,673,675									
7. Re-estimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8. Re-estimated Net Incurred Losses and Expenses										
End of policy year	\$ 1,257,393	\$ 1,287,409	\$ 1,319,036	\$ 1,400,620	\$ 1,363,399	\$ 1,605,217	\$ 1,747,696	\$ 1,697,857	\$ 2,237,074	\$ 1,986,492
One year later	\$ 1,142,517	\$ 1,671,553	\$ 1,286,026	\$ 1,397,626	\$ 1,089,104	\$ 1,489,396	\$ 1,938,142	\$ 1,408,546	\$ 2,240,178	
Two years later	\$ 977,508	\$ 2,197,049	\$ 1,250,510	\$ 1,584,011	\$ 1,124,165	\$ 1,087,025	\$ 2,280,911	\$ 850,378		
Three years later	\$ 1,476,875	\$ 2,031,697	\$ 1,191,216	\$ 2,044,264	\$ 1,129,807	\$ 1,630,340	\$ 2,030,283			
Four years later	\$ 1,588,197	\$ 2,012,661	\$ 1,320,327	\$ 1,911,664	\$ 1,262,013	\$ 1,542,547				
Five years later	\$ 1,574,321	\$ 1,962,793	\$ 1,388,602	\$ 1,971,475	\$ 1,159,095					
Six years later	\$ 1,702,638	\$ 2,025,674	\$ 1,623,630	\$ 1,979,815						
Seven years later	\$ 1,673,675	\$ 2,047,579	\$ 1,539,149							
Eight years later	\$ 1,673,675	\$ 2,049,357								
Nine years later	\$ 1,673,675									
9. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	<u>\$ 416,282</u>	<u>\$ 761,948</u>	<u>\$ 220,113</u>	<u>\$ 579,195</u>	<u>\$ (204,304)</u>	<u>\$ (62,670)</u>	<u>\$ 282,587</u>	<u>\$ (847,479)</u>	<u>\$ 3,104</u>	<u>\$ -</u>

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

(Continued)

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY  
CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM  
June 30, 2021

	Fiscal and Policy Years Ended June 30,									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1. Premiums and investment revenue										
Earned	\$ 5,463,309	\$ 4,252,078	\$ 4,343,203	\$ 5,027,054	\$ 5,251,017	\$ 5,767,568	\$ 5,806,268	\$ 6,103,926	\$ 6,114,597	\$ 7,132,242
Ceded	(468,693)	(573,762)	(715,074)	(866,862)	(954,814)	(1,172,652)	(1,117,249)	(1,128,962)	(1,144,621)	(663,472)
Net earned	<u>\$ 4,994,616</u>	<u>\$ 3,678,316</u>	<u>\$ 3,628,129</u>	<u>\$ 4,160,192</u>	<u>\$ 4,296,203</u>	<u>\$ 4,594,916</u>	<u>\$ 4,689,019</u>	<u>\$ 4,974,964</u>	<u>\$ 4,969,976</u>	<u>\$ 6,468,770</u>
2. Members dividends/rebates - fiscal year credited	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 618,500	\$ 650,000	\$ -	\$ -	\$ -
3. Reinsurance premium rebate - fiscal year paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Unallocated expenses	\$ 1,213,343	\$ 1,220,085	\$ 1,317,284	\$ 1,234,927	\$ 1,240,113	\$ 1,330,537	\$ 1,282,613	\$ 682,266	\$ 770,031	\$ 729,395
5. Estimated Losses and Expenses, end of policy year										
Incurred	\$ 2,146,421	\$ 2,263,824	\$ 2,509,375	\$ 2,627,009	\$ 2,712,888	\$ 2,992,620	\$ 2,995,809	\$ 3,037,791	\$ 3,408,855	\$ 3,918,290
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	<u>\$ 2,146,421</u>	<u>\$ 2,263,824</u>	<u>\$ 2,509,375</u>	<u>\$ 2,627,009</u>	<u>\$ 2,712,888</u>	<u>\$ 2,992,620</u>	<u>\$ 2,995,809</u>	<u>\$ 3,037,791</u>	<u>\$ 3,408,855</u>	<u>\$ 3,918,290</u>
6. Net paid (cumulative) as of:										
End of policy year	\$ 575,320	\$ 475,789	\$ 456,288	\$ 241,641	\$ 405,147	\$ 409,129	\$ 318,651	\$ 507,025	\$ 554,324	\$ 725,655
One year later	\$ 1,361,488	\$ 996,663	\$ 1,073,517	\$ 813,210	\$ 1,308,258	\$ 1,001,098	\$ 767,427	\$ 1,449,417	\$ 1,907,358	
Two years later	\$ 1,725,006	\$ 1,467,633	\$ 1,476,398	\$ 1,053,256	\$ 2,148,510	\$ 1,516,176	\$ 1,075,210	\$ 2,226,365		
Three years later	\$ 2,157,884	\$ 1,615,906	\$ 1,738,878	\$ 1,284,359	\$ 2,576,315	\$ 1,796,116	\$ 1,102,498			
Four years later	\$ 2,296,429	\$ 1,791,130	\$ 1,901,019	\$ 1,496,093	\$ 2,749,662	\$ 2,047,458				
Five years later	\$ 2,412,979	\$ 2,002,867	\$ 2,195,113	\$ 1,723,831	\$ 3,436,753					
Six years later	\$ 2,468,735	\$ 2,032,790	\$ 2,305,038	\$ 1,772,032						
Seven years later	\$ 2,484,516	\$ 2,037,815	\$ 2,342,664							
Eight years later	\$ 2,494,672	\$ 2,049,798								
Nine years later	\$ 2,500,791									
7. Re-estimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8. Re-estimated net incurred losses and expenses										
End of policy year	\$ 2,146,421	\$ 2,263,824	\$ 2,509,375	\$ 2,627,009	\$ 2,712,888	\$ 2,992,620	\$ 2,995,809	\$ 3,037,791	\$ 3,408,855	\$ 3,918,290
One year later	\$ 2,863,435	\$ 2,620,184	\$ 2,471,332	\$ 2,251,344	\$ 2,627,469	\$ 2,369,519	\$ 2,073,102	\$ 3,494,290	\$ 3,693,200	
Two years later	\$ 3,091,394	\$ 2,245,699	\$ 2,547,681	\$ 2,050,784	\$ 3,297,571	\$ 2,374,666	\$ 1,834,438	\$ 4,010,078		
Three years later	\$ 2,885,792	\$ 2,160,808	\$ 2,680,598	\$ 1,797,784	\$ 3,482,469	\$ 2,470,624	\$ 1,490,206			
Four years later	\$ 2,718,354	\$ 2,113,631	\$ 2,717,503	\$ 1,908,692	\$ 3,364,038	\$ 3,057,784				
Five years later	\$ 2,710,221	\$ 2,312,342	\$ 2,775,550	\$ 2,065,427	\$ 3,852,345					
Six years later	\$ 2,636,106	\$ 2,241,756	\$ 2,704,233	\$ 2,069,793						
Seven years later	\$ 2,588,081	\$ 2,177,648	\$ 2,617,375							
Eight years later	\$ 2,571,669	\$ 2,202,318								
Nine years later	\$ 2,553,760									
9. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	<u>\$ 407,339</u>	<u>\$ (61,506)</u>	<u>\$ 108,000</u>	<u>\$ (557,216)</u>	<u>\$ 1,139,457</u>	<u>\$ 65,164</u>	<u>\$ (1,505,603)</u>	<u>\$ 972,287</u>	<u>\$ 284,345</u>	<u>\$ -</u>

Note: Paid amounts and re-estimated incurred claims and expenses are shown as gross amounts without adjustments 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 of  
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, 2021, 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 January 27, 2022.

**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) as a basis for designing 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 control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below, that we consider to be material weaknesses:

*During our audit we identified that management did not have proper controls in-place to ensure that credits to member assessments are recorded within the proper period and classified correctly within the statements of revenues, expenses and change in net position. This resulted in an adjustment of approximately \$500,000 that decreased accrued expenses and general and administrative costs. We recommend that management implement control procedures to ensure that future credits are properly recorded.*

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(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 from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

A handwritten signature in black ink that reads "CROWE LLP". The letters are in a cursive, slightly stylized font.

Crowe LLP

Fort Lauderdale, Florida  
January 27, 2022