

**NORTHERN CALIFORNIA SPECIAL DISTRICTS  
INSURANCE AUTHORITY**

**FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

NORTHERN CALIFORNIA SPECIAL DISTRICTS  
INSURANCE AUTHORITY

FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members  
Northern California Special Districts Insurance Authority  
Elk Grove, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Northern California Special Districts 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 the Northern California Special Districts Insurance Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 Northern California Special Districts Insurance Authority, as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows 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 8, the Reconciliation of Claims Liability by Type of Contract, the Claims Development Information, the Schedule of the Authority's Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions on pages 26 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of Northern California Special Districts 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 the effectiveness of Northern California Special Districts Insurance Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern California Special Districts Insurance Authority's internal control over financial reporting and compliance.

  
Crowe LLP

West Hartford, Connecticut  
January 31, 2022

# NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the Fiscal Years Ending June 30, 2021 and 2020)

The following discussion and analysis of the financial performance of Northern California Special Districts Insurance Authority (the "Authority" or "NCSDIA") provides an overview of the Authority's financial activities for the fiscal year (FY) ended June 30, 2021. Please read it in conjunction with the Authority's financial statements, which follow this section.

### **BACKGROUND**

Northern California Special Districts Insurance Authority was originally formed on July 1, 1979. It was created as a direct result of the "hard" insurance market public agencies dealt with in the mid-1970s. It was established and is governed by Government Code Section 6500, et seq.

A twelve-person board consisting of one representative from each member agency meets several times per year to provide direction and oversight to the Authority.

The Executive Director and staff, which are contracted by the Authority, conduct the day-to-day administration and operation of policies and procedures as set forth by NCSDIA's Joint Powers Agreement, Bylaws and Board of Directors.

### **MEMBERSHIP**

NCSDIA has twelve (12) member agencies as of June 30, 2021. Current membership includes fire districts (paid and volunteer), community service districts and other special districts. The membership in NCSDIA has been stable for the last several years.

### **SERVICES AND PROGRAMS**

#### **Workers' Compensation Program**

The Workers' Compensation program was created on July 1, 1979. Currently all claims covered under the NCSDIA Memorandum of Coverage and Certificate of Coverage are adjusted in-house by contracted claims staff.

Program contribution rates are presented at the April Board of Directors meeting and formally adopted at the June Board of Directors meeting. Rates are calculated based on an annual actuarial study using prior year member payroll amounts, the financial needs of the pool, the loss experience of each individual member agency, and their historical premiums.

NCSDIA procures its excess Workers' Compensation coverage through Public Risk Innovation, Solutions, and Management (PRISM) (formally named CSAC-Excess Insurance Authority (CSAC-EIA)). PRISM provides statutory limits with a \$300K Self Insured Retention (SIR) per occurrence for all members. NCSDIA utilizes the Workers' Compensation Program to cover all member agency employees and volunteers who are injured during the course and scope of their employment. This coverage includes payment for medical costs, and temporary and permanent disability.

# NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the Fiscal Years Ending June 30, 2021 and 2020)

### Miscellaneous Coverages

NCSDIA provides its membership several miscellaneous insurance programs on a group purchase basis. This includes General Liability, Property, Auto, Boiler and Machinery, and Crime Bond. Currently, three members take advantage of this benefit.

### Other Services

NCSDIA contracts with Company Nurse which provides nurse-on-call services for NCSDIA members when a workplace injury occurs. The nurse triages the injury, suggests treatment options and then completes the forms that otherwise would need to be completed by the member. The service then forwards the forms to NCSDIA. This process greatly improves our efficiency and quality of service and has been overwhelmingly embraced by all members.

NCSDIA also provides the use of TargetSolutions to its members. TargetSolutions is an online training service that has been shown to help reduce losses as well as the cost of training and continuing education for member employees.

### **FINANCIAL AND OPERATIONAL HIGHLIGHTS**

- In the fiscal year ended June 30, 2021, the Authority's net position decreased 18.2% or \$308,000 compared to a \$848,000 increase in the prior year. This negative trend has been expected since the pool's SIR (Self Insured Retention) was raised in the 2018-19 fiscal year. While this retention change immediately lowered excess insurance costs, the expected claims costs increase is finally being realized.
- Operating revenue was \$3.1 million, essentially the same as the prior year. This was primarily due to stable excess costs and, until the most current claim year, positive claims experience in recent years which directly affects the actuarial recommendation for member contributions.
- Total expenses were \$3.4 million, an increase of 34.0% or approximately a \$873,000 increase from 2019/2020, which had seen a 12.2% decrease from its prior year. Claims expense increased 81.9% or approximately \$922,000 compared to the prior year's decrease of 29.7% or approximately \$475,000. While an increase was expected due to the SIR increase, this demonstrates the wide swings that will occur in total claims costs year over year in a small risk pool. Insurance expense decreased by 6.9% or approximately \$50,000 compared to prior year's increase of 5.3% or approximately \$36,000. Administrative costs decreased slightly while program cost increased approximately 6.0% which was fueled by an increase in State fees.
- NCSDIA assets of \$8.7 million exceeded its liabilities of \$7.4 million as of June 30, 2021 by approximately \$1.4 million. This amount decreased approximately \$308,000 or 18.2% mainly due to flat member contributions with a significant increase in claims costs. The \$1.4 million of fund equity may be used to meet NCSDIA's ongoing obligation to members, claimants and creditors.
- Investment income saw a significant decrease overall due to the change in fair market value. The bond market has quickly and significantly soured due to the fiscal effects of the pandemic
- Though claims management and processing are now being contracted and the Authority no longer has employees, employee retirement and health benefit costs for former employees will continue to impact the bottom line of the risk pool.

# NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the Fiscal Years Ending June 30, 2021 and 2020)

- Expense estimate for PERS retirement expense was significantly lower than last estimate as projected total cost decreases. GASB 68 requires the Authority to account for the actuarial estimate of total pension liability. Health insurance costs increased slightly, however total PERS retirement costs decreased \$7,000.
- State mandated fees increased by \$4,700. This is mostly from the annual fee charged by the Department of Workers' Compensation and are based on the total amount of indemnity (i.e., non-medical/legal/expense costs) paid in the prior year. The amount of indemnity paid varies so a variance in the fee is not unexpected.
- Current assets decreased and non-current assets increased due to the continued decrease in the current portion of investments as short-term investments matured and the funds were re-invested in longer-term holdings.

### USE OF FINANCIAL STATEMENTS TO ANALYZE THE AUTHORITY'S CONDITION

Financial statements can be used to answer the question, "Is an agency better off or worse off as a result of this year's activities?" The financial statements report information about the Authority's activities in a way that helps answer this question. The statements are prepared on the accrual basis of accounting, which means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. An explanation of each of the statements and the information they report follows.

### THE STATEMENT OF NET POSITION

The Statement of Net Position details the Authority's assets, liabilities and the difference between them, known as net position, at the end of the fiscal years, June 30, 2021 and June 30, 2020. The level of net position is one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

### THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents information which shows how the Authority's net position changed during the fiscal year. The statement measures the success of the Authority's operations during the year and determines whether the Authority has recovered its costs through member contributions, its only revenue source other than de Minimis interest earnings.

The changes in net position for the fiscal years shown in this report agree with the differences in net position shown at June 30, 2021 and 2020 in the Statements of Net Position.

### THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information regarding the Authority's cash receipts and disbursements during the fiscal years. Cash activity is grouped in the following two categories: operations and investing. These statements differ from the Statements of Revenues, Expenses and Changes in Net Position, because they only account for transactions that result in cash receipts or disbursements. For example, the amount shown as receipts from customers on the first line of the statements represents cash received during the fiscal year, rather than revenue earned.

**NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(For the Fiscal Years Ending June 30, 2021 and 2020)**

**THE NOTES TO FINANCIAL STATEMENTS**

The Notes to Financial Statements provide a description of accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles of the United States that are not otherwise present in the financial statements.

**FINANCIAL ANALYSIS**

NCSDIA's basic financial statements are comprised of two components: 1) entity-wide financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Entity-wide financial statements:* The entity-wide financial statements are designed to provide readers with a broad overview of NCSDIA finances, in a manner similar to a private-sector business.

The Statement of Revenues, Expenses, and Change in Net Position presents information showing total revenue and expenses and how NCSDIA's Net Position changed during the most recent fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., claims incurred but not paid, and unrealized market gains on investments).

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

**NET POSITION**

The Authority's net position as of June 30, 2021 totaled \$1,384,654 compared with \$1,692,946 as of June 30, 2020. A summary of the Authority's asset, liability and net position balances at the end of the current and prior fiscal years appears on the following chart.

| <i>Condensed Statements of Net Position</i> |                      |                      |                            |               |                      |                            |               |
|---|----------------------|----------------------|----------------------------|---------------|----------------------|----------------------------|---------------|
| <i>June 30, 2021, 2020, 2019</i>            |                      |                      |                            |               |                      |                            |               |
|   | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>Increase/(Decrease)</u> |               | <u>June 30, 2019</u> | <u>Increase/(Decrease)</u> |               |
|   |                      |                      | <u>2020 to 2021</u>        | <u>%</u>      |                      | <u>2019 to 2020</u>        | <u>%</u>      |
| <b>Assets</b>                               |                      |                      |                            |               |                      |                            |               |
| Current Assets                              | \$4,096,747          | \$4,325,399          | \$ (228,652)               | -5.3%         | \$4,247,021          | \$ 78,378                  | 1.8%          |
| Non-Current Assets                          | 4,644,481            | 4,181,790            | 462,691                    | 11.1%         | 3,447,158            | 734,632                    | 21.3%         |
| <i>Total Assets</i>                         | <u>8,741,228</u>     | <u>8,507,189</u>     | <u>234,039</u>             | <u>2.8%</u>   | <u>7,694,179</u>     | <u>813,010</u>             | <u>10.6%</u>  |
| <i>Deferred Outflows of Resources</i>       | <u>83,930</u>        | <u>88,062</u>        | <u>(4,132)</u>             | <u>-4.7%</u>  | <u>75,137</u>        | <u>12,925</u>              | <u>17.2%</u>  |
| <b>Liabilities</b>                          |                      |                      |                            |               |                      |                            |               |
| Current Liabilities                         | 1,321,720            | 1,219,000            | 102,720                    | 8.4%          | 1,661,024            | (442,024)                  | -26.6%        |
| Noncurrent Liabilities                      | 6,087,126            | 5,627,483            | 459,643                    | 8.2%          | 5,208,480            | 419,003                    | 8.0%          |
| <i>Total Liabilities</i>                    | <u>7,408,846</u>     | <u>6,846,483</u>     | <u>562,363</u>             | <u>8.2%</u>   | <u>6,869,504</u>     | <u>(23,021)</u>            | <u>-0.3%</u>  |
| <i>Deferred Inflows of Resources</i>        | <u>31,657</u>        | <u>55,822</u>        | <u>(24,165)</u>            | <u>-43.3%</u> | <u>55,028</u>        | <u>794</u>                 | <u>1.4%</u>   |
| <b>Total Net position</b>                   | <u>1,384,655</u>     | <u>\$ 1,692,946</u>  | <u>\$ (308,291)</u>        | <u>-18.2%</u> | <u>\$ 844,784</u>    | <u>\$ 848,162</u>          | <u>100.4%</u> |



**NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(For the Fiscal Years Ending June 30, 2021 and 2020)**

**REVENUES, EXPENSES AND CHANGES IN NET POSITION**

A summary of the Authority's revenue, Expenses and Changes in net assets appears in the table below.

*Condensed Statements of Revenue, Expenses, and Changes in Net Position  
Fiscal year ended June 30, 2021, 2020, 2019*

|   | Increase/(Decrease) |                    |                     |         | Increase/(Decrease) |                   |         |
|---|---------------------|--------------------|---------------------|---------|---------------------|-------------------|---------|
|   | June 30, 2021       | June 30, 2020      | 2020 to 2021        | %       | June 30, 2019       | 2019 to 2020      | %       |
| <b>Operating Income</b>                 |                     |                    |                     |         |                     |                   |         |
| Operating Revenues - Contr              | \$3,109,003         | \$3,116,223        | \$ (7,220)          | -0.2%   | \$2,789,409         | \$ 326,814        | 11.7%   |
| Provision for insured events            | 2,048,379           | 1,126,031          | 922,348             | 81.9%   | 1,601,214           | (475,183)         | -29.7%  |
| Insurance expense                       | 669,952             | 719,990            | (50,038)            | -6.9%   | 683,723             | 36,267            | 5.3%    |
| Program and credit                      | 86,548              | 81,844             | 4,704               | 5.7%    | 73,158              | 8,686             | 11.9%   |
| General admin services                  | 631,996             | 636,049            | (4,053)             | -0.6%   | 563,011             | 73,038            | 13.0%   |
| Operating Expenses                      | 3,436,875           | 2,563,914          | 872,961             | 34.0%   | 2,921,106           | (357,192)         | -12.2%  |
| Operating income (loss)                 | (327,872)           | 552,309            | (880,181)           | -159.4% | (131,697)           | 684,006           | -519.4% |
| Non-operating income                    | 19,581              | 295,853            | (276,272)           | -93.4%  | 254,801             | 41,052            | 16.1%   |
| Increase (decrease) in net position     | (308,291)           | 848,162            | (1,156,453)         | -136.3% | 123,104             | 725,058           | 589.0%  |
| <b>Net position - beginning of year</b> | <u>1,692,946</u>    | <u>844,784</u>     | <u>848,162</u>      | 100.4%  | <u>721,680</u>      | <u>123,104</u>    | 17.1%   |
| <b>Net position - end of year</b>       | <u>\$1,384,655</u>  | <u>\$1,692,946</u> | <u>\$ (308,291)</u> | -18.2%  | <u>\$ 844,784</u>   | <u>\$ 848,162</u> | 100.4%  |

**Insurance Premiums.** Insurance premium, both expense and income, are dependent on the cyclical nature of the insurance market. Rates from our excess carrier actually decreased from that of last year as excess losses declined. So, even though total payroll increased compared to the prior year, the total cost for excess decreased.

While total payroll for the pool increased from 2019-20 to 2020-21, excess insurance cost decreased keeping cost to members flat for this year.

**Provision for Insured Events.** The provision for insured events is a management estimate of the cost of insured claims. This estimate is based on a variety of actuarial and statistical techniques considering claims history, claim payment history, claim frequency, changes in doctrines of legal liability, inflation, and other economic and social factors. Claim cost estimates are constantly re-evaluated. Changes to prior year claim cost are adjusted as they occur. The provision decreased significantly over the past year which is a very positive result. Generally, this provision would increase when an SIR is increased. Ideally, over time, any increase will be offset by the decrease in excess insurance costs.

**Budgetary Highlights.** Each year the Board of Directors adopts an operating budget in June. In a comparison of the budget vs. actual, there were differences in Claims Paid, Claims Paid Recoveries and Claims Adjustment. These figures can vary widely from year to year and are difficult to estimate. The provision for insured events was unfavorable this year and was significantly above budget.

# NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the Fiscal Years Ending June 30, 2021 and 2020)

### **Financial Summary**

During the fiscal year 2020-21, the overall financial picture of NCSDIA declined primarily due to the increase in claims expense and flat member contributions. While this decline did result in the pool's confidence level decreasing from 85% for the prior year, the resulting confidence level of just under 80% still meets the pool's target. The pool will need to closely monitor its claims costs and hopefully maintain this level of funding.

### **ECONOMIC FACTORS**

#### **Insurance Market Conditions and Outlook**

NCSDIA is a primary coverage Joint Powers Authority. It provides its membership with a first-dollar-coverage Workers' Compensation program. As such, NCSDIA is impacted by the insurance market on an excess and group purchase basis.

NCSDIA and its members should see an increase in workers' compensation rates in the short term. Our excess risk pool, PRISM, has indicated increased rates of 5% to 15%. However, the effect of the Covid-19 pandemic on workers' compensation rates is still not fully known. The number of claims at agencies where most employees have been working remotely have decreased. However, the number of claims for workplace exposure to the virus has been significant in our agencies with essential or frontline employees. It will be months, if not years, before we know the full net effect on workers' compensation. Rates for safety personnel continue to increase due to their special exposure. Due to the large amount of its members' payroll being made up of safety personnel, NCSDIA should expect to see excess rates continue to increase.

The State legislature continues to introduce and often pass legislation that has a negative affect on workers' compensation costs. Expanded presumptive definitions (where certain illnesses are presumed to be work related) and shortened notice requirements are two such items under consideration.

A strong State budget and increased tax revenues from escalating real estate values bodes well for many special districts' budgets. However, underfunded retirement systems and increasingly expensive employee benefits continues to put significant pressure on these same districts. In general, financial stress for our members seems to have leveled off which improves their ability to pay their contributions to the pool.

NCSDIA will continue to benefit from contracting out of its claims processing functions. Admin expense has leveled out and will be better contained going forward. Most importantly, pension and OPEB (Other Post-Employment Benefits) liability will not see significant increases as it had in the past.

The returns for safe investment vehicles plummeted with the collapse of the bond market due to the effect of the pandemic on financial markets. This resulted in a steep decline in investment revenue. While we do not see this improving significantly in the short term, federal monetary policy is expected to slowly reverse this trend in the next year.

NCSDIA excess costs continue to benefit from the increase of its Self-Insured Retention (SIR) amount. By increasing its SIR from \$200K to \$300K for the 2018-19 year, the Authority benefited from an immediate decrease in excess insurance costs that continued into 2019-20 and 2020-21. Actuarial analysis suggested that the increased exposure to claims costs would be less than the excess savings, therefore, resulting in a net savings to the Authority. This was the case in 2019-20 though this degraded in 2020-21. It will need to continue to be monitored going forward to verify that the savings are not offset by increased claims costs.

Diligent and fiscally conservative management and governance has resulted in NCSDIA being in a solid financial position. We expect that to continue for the foreseeable future.

## **FINANCIAL STATEMENTS**

NORTHERN CALIFORNIA SPECIAL DISTRICTS 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)   | \$ 3,633,988        | \$ 3,748,033        |
| Investments maturing within one year (Notes 3 and 4)                       | 293,649             | 520,194             |
| Receivables  | 136,390             | 18,561              |
| Prepaid expenses   | 11,285              | 1,224               |
| Interest receivable  | <u>21,435</u>       | <u>37,387</u>       |
| Total current assets   | <u>4,096,747</u>    | <u>4,325,399</u>    |
| Noncurrent assets:   |                     |                     |
| Investments with maturities in excess of one year<br>(Notes 3 and 4)       | <u>4,644,481</u>    | <u>4,181,790</u>    |
| Total assets   | <u>8,741,228</u>    | <u>8,507,189</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                      |                     |                     |
| Deferred outflows of resources - pensions (Note 6)                         | <u>83,930</u>       | <u>88,062</u>       |
| <b>LIABILITIES</b>   |                     |                     |
| Current liabilities:   |                     |                     |
| Accounts payable   | 720                 | -                   |
| Current portion of unpaid claims and claim adjustment<br>expenses (Note 5) | <u>1,321,000</u>    | <u>1,219,000</u>    |
| Total current liabilities  | 1,321,720           | 1,219,000           |
| Noncurrent liabilities:  |                     |                     |
| Net pension liability (Note 6)   | 378,334             | 349,521             |
| Unpaid claims and claim adjustment expenses (Note 5)                       | <u>5,708,792</u>    | <u>5,277,962</u>    |
| Total noncurrent liabilities   | <u>6,087,126</u>    | <u>5,627,483</u>    |
| Total liabilities  | <u>7,408,846</u>    | <u>6,846,483</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                     |                     |
| Deferred inflows of resources - pension (Note 6)                           | <u>31,657</u>       | <u>55,822</u>       |
| <b>NET POSITION</b>  |                     |                     |
| Unrestricted   | <u>\$ 1,384,655</u> | <u>\$ 1,692,946</u> |

See accompanying notes to financial statements.

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
 For the Years Ended June 30, 2021 and 2020

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|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Operating revenues:  |                     |                     |
| Member contributions   | \$ 3,109,003        | \$ 3,116,223        |
| Operating expenses:  |                     |                     |
| Provision for claims and claim adjustment expenses, net of recoveries (\$290,540 for 2021 and \$106,721 for 2020) (Note 5) | 2,048,379           | 1,126,031           |
| Insurance premiums   | 669,952             | 719,990             |
| Fraud, safety and user fees  | 86,548              | 81,844              |
| Salaries and benefits  | 74,890              | 81,081              |
| Professional fees  | 254,898             | 262,074             |
| Services and supplies  | <u>302,208</u>      | <u>292,894</u>      |
| Total operating expenses   | <u>3,436,875</u>    | <u>2,563,914</u>    |
| Operating (loss) income  | <u>(327,872)</u>    | <u>552,309</u>      |
| Non-operating revenue (expenses):  |                     |                     |
| Interest income  | 113,313             | 143,546             |
| Change in fair value of investments (Note 4)   | (93,792)            | 152,293             |
| Other income   | <u>60</u>           | <u>14</u>           |
| Total non-operating revenue  | <u>19,581</u>       | <u>295,853</u>      |
| Change in net position   | (308,291)           | 848,162             |
| Net position, beginning of year  | <u>1,692,946</u>    | <u>844,784</u>      |
| Net position, end of year  | <u>\$ 1,384,655</u> | <u>\$ 1,692,946</u> |

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See accompanying notes to financial statements.

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended June 30, 2021 and 2020

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                     |                     |
| Cash received from members   | \$ 2,991,174        | \$ 3,152,908        |
| Cash paid for claims   | (1,515,549)         | (1,181,611)         |
| Cash paid for insurance premiums   | (669,952)           | (719,990)           |
| Cash paid to vendors   | (653,715)           | (635,620)           |
| Cash paid to employees for services  | <u>(66,110)</u>     | <u>(60,653)</u>     |
| Net cash provided by operating activities  | <u>85,848</u>       | <u>555,034</u>      |
| <b>Cash flows from investing activities:</b>   |                     |                     |
| Investment purchases   | (1,401,962)         | (1,320,697)         |
| Investment sales   | 1,072,024           | 1,500,522           |
| Interest received  | 129,265             | 82,372              |
| Other income   | <u>60</u>           | <u>14</u>           |
| Net cash (used in) provided by investing activities  | <u>(200,613)</u>    | <u>262,211</u>      |
| Net (decrease) increase in cash and cash equivalents   | (114,765)           | 817,245             |
| Cash and cash equivalents, beginning of year   | <u>3,748,033</u>    | <u>2,930,788</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 3,633,268</u> | <u>\$ 3,748,033</u> |
| <b>Reconciliation of operating (loss) income to net cash provided by operating activities:</b> |                     |                     |
| Operating (loss) income  | \$ (327,872)        | \$ 552,309          |
| Adjustments to reconcile operating (loss) income to net cash provided by operating activities: |                     |                     |
| Changes in assets and liabilities:   |                     |                     |
| (Increase) decrease in receivables   | (117,829)           | 36,685              |
| (Increase) decrease in prepaid expenses  | (10,061)            | 1,192               |
| Decrease (increase) in deferred outflows of resources  | 4,132               | (12,925)            |
| Increase (decrease) in unpaid claims and claim adjustment expenses                             | 532,830             | (55,580)            |
| Increase in net pension liability  | 28,813              | 32,559              |
| (Decrease) increase in deferred inflows of resources   | <u>(24,165)</u>     | <u>794</u>          |
| Net cash provided by operating activities  | <u>\$ 85,848</u>    | <u>\$ 555,034</u>   |

See accompanying notes to financial statements.

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization: Northern California Special Districts Insurance Authority (the "Authority") is a public entity originally formed in July 1978 as the Fire District Insurance Authority of Sacramento County. The Authority was reorganized on July 1, 1986 with the same member districts pursuant to a Joint Powers Agreement (JPA) and Section 6500 of the California Government Code. The Authority provides workers' compensation self-insurance for its member districts. In accordance with the JPA, all special districts within California are eligible to participate. The program's general objectives are to formulate, develop and administer, on behalf of the member districts, a program of insurance, to obtain lower costs for that coverage and to develop a comprehensive loss control program.

Districts joining the Authority must remain members for a minimum of one year. Districts applying for membership in the Authority may do so on a majority vote of the Board of the Authority. Insurance underwriting and required premiums are established after consultation with independent actuaries. Member districts may be assessed supplemental premiums at the discretion of the Authority in the event of premium deficiencies.

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

Excess Insurance: The Authority enters into excess insurance agreements, whereby, it cedes various amounts of risk to other insurance companies. Risks ceded to insurance companies are treated as though they were not risks for which the Authority is liable. Settlements have not exceeded insurance coverage in each of the past three years.

Excess workers' compensation policies were purchased with the following retentions:

| <u>Fiscal Years</u> | <u>Retention</u> |
|---------------------|------------------|
| 1978/79 – 1981/82   | \$ 500,000       |
| 1982/83             | \$ 300,000       |
| 1983/84 – 1984/85   | \$ 200,000       |
| 1985/86 – 1986/87   | \$ 250,000       |
| 1987/88             | \$ 300,000       |
| 1988/89             | \$ 350,000       |
| 1989/90 – 1996/97   | \$ 375,000       |
| 1997/98             | \$ 325,000       |
| 1998/99 – 2000/01   | \$ 300,000       |
| 2001/02 – 2002/03   | \$ 150,000       |
| 2003/04 – 2007/08   | \$ 250,000       |
| 2008/09 – 2017/18   | \$ 200,000       |
| 2018/19 – 2020/21   | \$ 300,000       |

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(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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

Investments and Investment Pools: The Authority records its investments in debt securities are measured at fair value in the statement of net position. The Authority records its investment in the Local Agency Investment Fund (LAIF) at fair value. The fair values of investment in the Local Agency Investment Fund as an external investment pool, as of June 30, 2021 and 2020 approximated their carrying value and have been determined by the sponsoring government based on quoted market prices. Change in fair value is reported as non-operating revenue in the statement of revenues, expenses and change in net position.

Cash and Cash Equivalents: Cash and cash equivalents are investments, including LAIF, which are readily convertible into known amounts of cash with original maturities of less than three months.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements 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 the recognition of the net pension liability reported in the Statement of Net Position.

In addition to liabilities, the statements 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 the recognition of the net pension liability reported in the Statement of Net Position.

Provision for Unpaid Claims and Claim Adjustment Expenses: The Authority establishes unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount. 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 and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expenses in the periods in which they are made. The current portion of unpaid claims and claim adjustment expenses is based on current claims information.

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% 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.

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(Continued)



NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

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

Revenue Recognition: Member contributions are recognized as revenue when earned based upon the coverage period of the related insurance. To the extent that allocated losses exceed contributions previously paid, interest and other income, the Authority can assess its members' additional contributions. Operating revenues and expenses include all activities necessary to achieve the objectives of the Authority. Non-operating revenues include investment activity and other non-essential activity. Operating and non-operating revenues are recognized as revenue when earned.

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.

Deferred Compensation Plan: The Authority offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salaries until future years. Participants can elect to contribute 25% of their annual compensation, not to exceed \$18,000. 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.

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.

Subsequent Events: Subsequent events have been evaluated through January 31, 2022, which is the date the financial statements were available to be issued. Management believes there are no subsequent events having a material impact on the financial statements.

**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 in bank                    | \$ 932,996          | \$ 846,602          |
| Cash in money market            | 5,327               | 228,411             |
| Local Agency Investment Fund    | <u>2,695,665</u>    | <u>2,673,020</u>    |
| Total cash and cash equivalents | <u>\$ 3,633,988</u> | <u>\$ 3,748,033</u> |

Custodial Credit Risk – Cash in Bank: The Authority limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. As of June 30, 2021 and 2020, the carrying amount of the Authority's accounts were \$938,323 and \$1,075,013 and the bank balances were \$1,171,816 and \$1,088,566, respectively, of which \$921,023 and \$602,935 was uninsured but collateralized. The carrying values and the bank balances differ due to deposits in transit and outstanding checks.

(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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

Local Agency Investment Fund: Northern California Special Districts Insurance Authority places certain funds with the State of California's Local Agency Investment Fund (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 monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four-hour 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 administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

**NOTE 3 – FAIR VALUE MEASUREMENTS**

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1* - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of June 30, 2021 and 2020, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the relatively short maturities of these financial instruments or the associated variable rates of interest.

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(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)**

Assets Recorded at Fair Value: The following table presents information about the Authority's assets measured at fair value on a recurring basis as of June 30, 2021 and 2020:

|                              | Fair Value Measurements<br>As of June 30, 2021, Using |                |                     |                |
|------------------------------|---|----------------|---------------------|----------------|
|                              | <u>Total</u>  | <u>Level 1</u> | <u>Level 2</u>      | <u>Level 3</u> |
| Investment Securities:       |   |                |                     |                |
| United States Corporate      | \$ 831,892  | \$ -           | \$ 831,892          | \$ -           |
| United States Agency         | 2,259,302   | -              | 2,259,302           | -              |
| United States Treasury       | 1,314,024   | -              | 1,314,024           | -              |
| Supranational                | 250,556   | -              | 250,556             | -              |
| Asset backed Securities      | <u>282,356</u>  | <u>-</u>       | <u>282,356</u>      | <u>-</u>       |
| Total investment securities  | 4,938,130   | -              | 4,938,130           | -              |
| Local Agency Investment Fund | <u>2,695,665</u>                                      | <u>-</u>       | <u>2,695,665</u>    | <u>-</u>       |
| Total                        | <u>\$ 7,633,795</u>                                   | <u>\$ -</u>    | <u>\$ 7,633,795</u> | <u>\$ -</u>    |

|                              | Fair Value Measurements<br>As of June 30, 2020, Using |                |                     |                |
|------------------------------|---|----------------|---------------------|----------------|
|                              | <u>Total</u>  | <u>Level 1</u> | <u>Level 2</u>      | <u>Level 3</u> |
| Investment Securities:       |   |                |                     |                |
| United States Corporate      | \$ 907,723  | \$ -           | \$ 907,723          | \$ -           |
| United States Agency         | 2,241,081   | -              | 2,241,081           | -              |
| United States Treasury       | 1,210,171   | -              | 1,210,171           | -              |
| Supranational                | 117,864   | -              | 117,864             | -              |
| Asset backed Securities      | <u>225,145</u>  | <u>-</u>       | <u>225,145</u>      | <u>-</u>       |
| Total investment securities  | 4,701,984   | -              | 4,701,984           | -              |
| Local Agency Investment Fund | <u>2,673,020</u>                                      | <u>-</u>       | <u>2,673,020</u>    | <u>-</u>       |
| Total                        | <u>\$ 7,375,004</u>                                   | <u>\$ -</u>    | <u>\$ 7,375,004</u> | <u>\$ -</u>    |

Fair value for these investment securities was provided by a third-party pricing source which generally uses models or matrices to price these type of investments. The significant inputs used to determine valuation for these types of assets, listed in approximate order of priority for use when available, include benchmark yields, reported trades, broker/dealer quotes, issuer spreads and reference data including market research publications.

(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 4 – INVESTMENTS**

Realized and Unrealized Gains and Losses: The Authority had realized gains on investments sold of \$13,774 and unrealized losses on investments held of \$107,566 for a total decrease in fair value of investments for the year ended June 30, 2021 of \$93,792. The Authority had realized losses on investments sold of \$3,274 and unrealized gains on investments held of \$155,567 for a total increase in fair value of investments for the year ended June 30, 2020 of \$152,293. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. Realized gains and losses of the current period include unrealized amounts from prior periods.

Investment Interest Rate Risk: The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair losses arising from increasing interest rates.

Maturities of investments held as of June 30, 2021 consist of the following:

|                         | Maturity            |                               |  |
|-------------------------|---------------------|-------------------------------|--|
|                         | <u>Fair Value</u>   | <u>Less Than<br/>One Year</u> | <u>One year<br/>through<br/>Five Years</u> |
| Investment maturities:  |                     |                               |  |
| United States Corporate | \$ 831,892          | \$ -                          | \$ 831,892                                 |
| United States Agency    | 2,259,302           | 101,508                       | 2,157,794                                  |
| United States Treasury  | 1,314,024           | 191,286                       | 1,122,738                                  |
| Supranational           | 250,556             | -                             | 250,556                                    |
| Asset backed Securities | 282,356             | 855                           | 281,501                                    |
|                         | <u>\$ 4,938,130</u> | <u>\$ 293,649</u>             | <u>\$ 4,644,481</u>                        |

Maturities of investments held as of June 30, 2020 consist of the following:

|                         | Maturity            |                               |  |
|-------------------------|---------------------|-------------------------------|--|
|                         | <u>Fair Value</u>   | <u>Less Than<br/>One Year</u> | <u>One year<br/>through<br/>Five Years</u> |
| Investment maturities:  |                     |                               |  |
| United States Corporate | \$ 907,723          | \$ 313,527                    | \$ 594,196                                 |
| United States Agency    | 2,241,081           | -                             | 2,241,081                                  |
| United States Treasury  | 1,210,171           | 166,233                       | 1,043,938                                  |
| Supranational           | 117,864             | 40,434                        | 77,430                                     |
| Asset backed Securities | 225,145             | -                             | 225,145                                    |
|                         | <u>\$ 4,701,984</u> | <u>\$ 520,194</u>             | <u>\$ 4,181,790</u>                        |

(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 4 – INVESTMENTS (Continued)**

Investment Credit Risk: The Authority's investment policy limits monies invested to those not required for the immediate operations of the Authority, in compliance with Section 6509.5 of the California Government Code, in such securities as allowed by Article 1 of Chapter 4 of Part 1 of Division 2 of that code. The policy limits investment choices to obligations of the United States Treasury, its agencies and instrumentalities, corporate medium-term notes, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances and repurchase agreements. As of June 30, 2021 and 2020, all investments represented governmental securities which were issued, registered and held by the Authority's agent in the Authority's name.

Concentration of Investment Credit Risk: The Authority does not place limits on the amount it may invest in any one issuer. As of June 30, 2021 and 2020, the Authority had the following investments that represent more than 5% of the Authority's net investments:

|                                       | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------|-------------|
| US Treasury                           | 27%         | 25%         |
| Federal Home Loan Bank                | 15%         | 18%         |
| Federal National Mortgage Association | 13%         | 14%         |
| Federal Farm Credit Bank              | 9%          | 9%          |
| Federal Home Loan Mortgage Corp       | 8%          | 5%          |

**NOTE 5 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES**

As discussed in Note 1, the Authority establishes a liability for both reported and unreported insured events. The following represented changes in aggregate liabilities during the years ended June 30, 2021 and 2020:

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Unpaid claims and claim adjustments expenses as of the beginning of year                | \$ 6,496,962        | \$ 6,552,542        |
| Incurred claims and claims adjustments expenses:  |                     |                     |
| Provisions for covered events of the current year                                       | 1,742,269           | 1,575,640           |
| Change in provision for covered events of prior years                                   | <u>306,110</u>      | <u>(449,609)</u>    |
| Total incurred claims and claim adjustment expenses                                     | <u>2,048,379</u>    | <u>1,126,031</u>    |
| Payments:   |                     |                     |
| Claims and claim adjustment expenses attributable to covered events of the current year | (205,293)           | (102,992)           |
| Claims and claim adjustment expenses attributable to covered events of prior years      | <u>(1,310,256)</u>  | <u>(1,078,619)</u>  |
| Total payments  | <u>(1,515,549)</u>  | <u>(1,181,611)</u>  |
| Unpaid claims and claim adjustment expenses as of the end of year                       | <u>\$ 7,029,792</u> | <u>\$ 6,496,962</u> |

(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 5 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES (Continued)**

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

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Reported claims                             | \$ 3,585,422        | \$ 3,738,903        |
| Claims incurred but not reported            | 2,340,497           | 1,791,053           |
| Unallocated loss adjustment expenses (ULAE) | <u>1,103,873</u>    | <u>967,006</u>      |
|   | 7,029,792           | 6,496,962           |
| Less current portion                        | <u>(1,321,000)</u>  | <u>(1,219,000)</u>  |
|   | <u>\$ 5,708,792</u> | <u>\$ 5,277,962</u> |

As of June 30, 2021 and 2020, the liability was reported at the present value using an expected future investment yield assumption of 2.5%. The undiscounted liability was \$7,631,792 and \$7,149,962 as of June 30, 2021 and 2020, respectively.

**NOTE 6 – 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 55 Risk Pool under the California Public Employees’ Retirement System (CalPERS) California Employer’s Retirement Fund C (PERF C), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees’ Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2020.pdf>.

**Benefits Provided:** The benefits for the defined benefit plans are based on plan members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible plan members or beneficiaries. Plan 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. Plan member and employer contributions are a percentage of applicable plan member compensation. Plan 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.

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(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND (Continued)**

Required contribution rates for active plan members and employers as a percentage of payroll were as follows:

*Plan Members* – The plan member contribution rate was 7.00% of applicable plan member earnings for fiscal years 2019-20 and 2020-21.

*Employers* – For the years ended June 30, 2021 and 2020, the Authority did not have any active employees and therefore, the employer contribution rate was 0% of applicable plan member earnings.

The Authority’s contribution to CalPERS for the fiscal years ending June 30, 2021, 2020, and 2019, were \$39,884, \$35,094, and \$16,650, respectively, and equal 100% of the required contributions for each year.

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

As of June 30, 2021, the Authority reported a liability of \$378,334 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 the Authority’s share of contributions to the pension plan relative to the contributions of all participating agencies. As of June 30, 2020, the Authority’s proportion was 0.003%, which was no change from its proportion measured as of June 30, 2019.

As of June 30, 2020, the Authority reported a liability of \$349,521 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 the Authority’s share of contributions to the pension plan relative to the contributions of all participating agencies. As of June 30, 2019, the Authority’s proportion was 0.003%, which was no change from its proportion measured as of June 30, 2018.

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$48,465 and \$55,521. As of June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | 2021                              |                                  |
|--|-----------------------------------|----------------------------------|
|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Difference between expected and actual experience                              | \$ 19,497                         | \$ -                             |
| Changes of assumptions   | -                                 | 2,699                            |
| Net differences between projected and actual earnings on investments           | 11,239                            | -                                |
| Differences between JPA contributions and proportionate share of contributions | -                                 | 28,958                           |
| Changes in proportion  | 13,510                            | -                                |
| Contributions made subsequent to measurement date                              | 39,684                            | -                                |
| Total  | \$ 83,930                         | \$ 31,657                        |

(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND (Continued)**

\$39,684 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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<br>June 30,                   |  |
|--|---|--|
|  | 2022                                      | \$ (5,702)                               |
|  | 2023                                      | \$ 5,483                                 |
|  | 2024                                      | \$ 7,418                                 |
|  | 2025                                      | \$ 5,391                                 |
|  | 2020                                      |  |
|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
| Difference between expected and actual experience                              | \$ 24,275                                 | \$ 1,882                                 |
| Changes of assumptions   | 16,667                                    | 5,908                                    |
| Net differences between projected and actual earnings on investments           | -   | 6,111                                    |
| Differences between JPA contributions and proportionate share of contributions | -   | 40,143                                   |
| Changes in proportion  | 12,026                                    | 1,778                                    |
| Contributions made subsequent to measurement date                              | <u>35,094</u>                             | <u>-</u>                                 |
| Total  | <u>\$ 88,062</u>                          | <u>\$ 55,822</u>                         |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is four years as of the June 30, 2020 and 2019 measurement dates. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments, changes in assumptions and changes in proportion are netted and amortized over a closed five-year period.

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(Continued)



NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 6 – 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  |
| Actuarial cost method             | Varies by entry age and service   |
| Investment rate of return         | 7.15%   |
| Consumer price inflation          | 2.50%   |
| Wage growth                       | Varies by entry age and service   |
| Mortality rate table              | Derived using CalPERS' Membership Data  |
| Post-retirement benefit increases | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies |

The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 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.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND (Continued)**

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

| <u>Asset Class</u> | <u>Long-Term %<br/>Assumed Asset<br/>Allocation</u> | <u>Expected Real<br/>Rate of Return<br/>Years 1-10**</u> | <u>Expected Real<br/>Rate of Return<br/>Years 11+***</u> |
|--------------------|---|--|--|
| Global Equity      | 50.00%  | 4.80%  | 5.98%  |
| Fixed Income       | 28.00   | 1.00   | 2.62   |
| Inflation Assets   | -   | 0.77   | 1.81   |
| Private Equity     | 8.00  | 6.30   | 7.23   |
| Real Estate        | 13.00   | 3.75   | 4.93   |
| Liquidity          | 1.00  | -  | (0.92)   |

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

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

Discount rate: As of 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.

Sensitivity of the Authority'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:

|   | 2021                |                          |                     |
|---|---------------------|--------------------------|---------------------|
|   | 1%                  | Current                  | 1%                  |
|   | Decrease<br>(6.15%) | Discount<br>Rate (7.15%) | Increase<br>(8.15%) |
| Authority's proportionate share<br>of the net pension liability | \$ 569,943          | \$ 378,335               | \$ 220,015          |
|   | 2020                |                          |                     |
|   | 1%                  | Current                  | 1%                  |
|   | Decrease<br>(6.15%) | Discount<br>Rate (7.15%) | Increase<br>(8.15%) |
| Authority's proportionate share<br>of the net pension liability | \$ 543,761          | \$ 349,521               | \$ 189,189          |

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

(Continued)

**NOTE 7 – RISKS AND UNCERTAINTIES**

In March 2020, the President of the United States issued a proclamation declaring a national emergency concerning the Novel Coronavirus (COVID-19) outbreak. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which are uncertain and cannot be predicted. The related financial impact still cannot be reasonably estimated at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT  
WORKERS' COMPENSATION PROGRAM  
For the Years Ended June 30, 2021 and 2020

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|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Unpaid claims and claim adjustments expenses as of the beginning of year                | <u>\$ 6,496,962</u> | <u>\$ 6,552,542</u> |
| Incurred claims and claims adjustments expenses:  |                     |                     |
| Provisions for covered events of the current year                                       | 1,742,269           | 1,575,640           |
| Change in provision for covered events of prior years                                   | <u>306,110</u>      | <u>(449,609)</u>    |
| Total incurred claims and claim adjustment expenses                                     | <u>2,048,379</u>    | <u>1,126,031</u>    |
| Payments:   |                     |                     |
| Claims and claim adjustment expenses attributable to covered events of the current year | (205,293)           | (102,992)           |
| Claims and claim adjustment expenses attributable to covered events of prior years      | <u>(1,310,256)</u>  | <u>(1,078,619)</u>  |
| Total payments  | <u>(1,515,549)</u>  | <u>(1,181,611)</u>  |
| Unpaid claims and claim adjustment expenses as of the end of year                       | <u>\$ 7,029,792</u> | <u>\$ 6,496,962</u> |

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See accompanying note to Required Supplemental Information.

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
CLAIMS DEVELOPMENT INFORMATION  
For the Year Ended June 30, 2021

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The table that follows illustrates 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 previous ten years. The rows of the table are defined as follows:

1. Total of each fiscal years' gross earned contribution revenues and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. Each fiscal years' other operating costs of the Authority including overhead and loss adjustment expenses not allocable to individual claims.
3. Gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. Cumulative net amounts paid as of the end of successive years for each policy year.
5. The latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. Each policy year's net incurred claims increase or decrease 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, and emergence of new claims not previously known.
7. Compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

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

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(Continued)

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
 WORKERS' COMPENSATION  
 CLAIMS DEVELOPMENT INFORMATION  
 June 30, 2021

|   | 2012              | 2013                | 2014                | 2015              | 2016               | 2017                | 2018                | 2019                | 2020                | 2021                |
|---|-------------------|---------------------|---------------------|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| (1) Required contribution and investment revenue:   |                   |                     |                     |                   |                    |                     |                     |                     |                     |                     |
| Earned  | \$ 1,988,377      | \$ 2,777,158        | \$ 2,157,338        | \$ 2,463,717      | \$ 2,721,230       | \$ 2,599,783        | \$ 2,651,403        | \$ 3,044,209        | \$ 3,412,076        | \$ 3,128,584        |
| Ceded   | <u>(356,318)</u>  | <u>(362,228)</u>    | <u>(472,008)</u>    | <u>(561,322)</u>  | <u>(716,111)</u>   | <u>(731,379)</u>    | <u>(904,486)</u>    | <u>(683,723)</u>    | <u>(719,990)</u>    | <u>(669,952)</u>    |
| Net earned  | \$ 1,632,059      | \$ 2,414,930        | \$ 1,685,330        | \$ 1,902,395      | \$ 2,005,119       | \$ 1,868,404        | \$ 1,746,917        | \$ 2,360,486        | \$ 2,692,086        | \$ 2,458,632        |
| (2) Unallocated expenses  | \$ 454,346        | \$ 586,918          | \$ 506,618          | \$ 540,141        | \$ 445,786         | \$ 963,201          | \$ 898,727          | \$ 825,194          | \$ 725,327          | \$ 855,412          |
| (3) Estimated claims and expense end of policy year:  |                   |                     |                     |                   |                    |                     |                     |                     |                     |                     |
| Incurred  | \$ 766,875        | \$ 932,211          | \$ 956,875          | \$ 966,062        | \$ 928,526         | \$ 1,199,081        | \$ 1,116,426        | \$ 1,312,228        | \$ 1,356,535        | \$ 1,500,915        |
| Ceded   | -                 | -                   | -                   | -                 | -                  | -                   | -                   | -                   | -                   | -                   |
| Net incurred  | <u>\$ 766,875</u> | <u>\$ 932,211</u>   | <u>\$ 956,875</u>   | <u>\$ 966,062</u> | <u>\$ 928,526</u>  | <u>\$ 1,199,081</u> | <u>\$ 1,116,426</u> | <u>\$ 1,312,228</u> | <u>\$ 1,356,535</u> | <u>\$ 1,500,915</u> |
| (4) Net paid (cumulative) as of:  |                   |                     |                     |                   |                    |                     |                     |                     |                     |                     |
| End of policy year  | \$ 182,600        | \$ 411,588          | \$ 142,731          | \$ 89,511         | \$ 85,223          | \$ 139,351          | \$ 213,609          | \$ 150,487          | \$ 102,992          | \$ 205,293          |
| One year later  | \$ 575,945        | \$ 544,632          | \$ 372,799          | \$ 291,768        | \$ 247,123         | \$ 364,774          | \$ 463,583          | \$ 386,010          | \$ 614,554          |                     |
| Two years later   | \$ 507,784        | \$ 686,533          | \$ 543,864          | \$ 353,119        | \$ 302,567         | \$ 362,806          | \$ 632,782          | \$ 505,049          |                     |                     |
| Three years later   | \$ 610,451        | \$ 747,810          | \$ 635,720          | \$ 428,711        | \$ 583,107         | \$ 380,246          | \$ 843,872          |                     |                     |                     |
| Four years later  | \$ 592,760        | \$ 831,247          | \$ 727,934          | \$ 545,962        | \$ 673,328         | \$ 402,387          |                     |                     |                     |                     |
| Five years later  | \$ 601,023        | \$ 893,950          | \$ 801,780          | \$ 670,241        | \$ 721,751         |                     |                     |                     |                     |                     |
| Six years later   | \$ 664,596        | \$ 912,813          | \$ 846,805          | \$ 712,885        |                    |                     |                     |                     |                     |                     |
| Seven years later   | \$ 687,984        | \$ 965,949          | \$ 1,042,030        |                   |                    |                     |                     |                     |                     |                     |
| Eight years later   | \$ 693,885        | \$ 983,838          |                     |                   |                    |                     |                     |                     |                     |                     |
| Nine years later  | \$ 695,214        |                     |                     |                   |                    |                     |                     |                     |                     |                     |
| (5) Reestimated ceded claims and expenses   | \$ -              | \$ -                | \$ -                | \$ -              | \$ -               | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| (6) Reestimated net incurred claims and expenses:   |                   |                     |                     |                   |                    |                     |                     |                     |                     |                     |
| End of policy year  | \$ 766,875        | \$ 932,211          | \$ 956,875          | \$ 966,062        | \$ 928,526         | \$ 1,199,081        | \$ 1,116,426        | \$ 1,312,228        | \$ 1,356,535        | \$ 1,500,915        |
| One year later  | \$ 855,296        | \$ 1,225,002        | \$ 881,359          | \$ 803,878        | \$ 763,323         | \$ 1,113,732        | \$ 1,423,227        | \$ 1,309,327        | \$ 1,446,644        |                     |
| Two years later   | \$ 876,532        | \$ 1,184,844        | \$ 1,004,825        | \$ 717,600        | \$ 800,309         | \$ 1,010,895        | \$ 1,230,341        | \$ 1,510,589        |                     |                     |
| Three years later   | \$ 874,421        | \$ 1,308,879        | \$ 1,142,301        | \$ 763,178        | \$ 961,870         | \$ 660,428          | \$ 1,232,612        |                     |                     |                     |
| Four years later  | \$ 808,475        | \$ 1,114,162        | \$ 1,101,267        | \$ 808,797        | \$ 980,340         | \$ 595,576          |                     |                     |                     |                     |
| Five years later  | \$ 814,012        | \$ 1,101,403        | \$ 1,181,228        | \$ 888,281        | \$ 1,025,253       |                     |                     |                     |                     |                     |
| Six years later   | \$ 765,085        | \$ 1,105,943        | \$ 1,161,615        | \$ 897,424        |                    |                     |                     |                     |                     |                     |
| Seven years later   | \$ 772,021        | \$ 1,026,231        | \$ 1,171,053        |                   |                    |                     |                     |                     |                     |                     |
| Eight years later   | \$ 758,365        | \$ 1,172,913        |                     |                   |                    |                     |                     |                     |                     |                     |
| Nine years later  | \$ 757,044        |                     |                     |                   |                    |                     |                     |                     |                     |                     |
| (7) (Increase) decrease in estimated net incurred claims and expenses from end of policy year | <u>\$ 9,831</u>   | <u>\$ (240,702)</u> | <u>\$ (214,178)</u> | <u>\$ 68,638</u>  | <u>\$ (96,727)</u> | <u>\$ 603,505</u>   | <u>\$ (116,186)</u> | <u>\$ (198,361)</u> | <u>\$ (90,109)</u>  | <u>\$ -</u>         |

See accompanying note to Required Supplemental Information.

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2021

|   | Public Employer's Retirement Fund C<br>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   | 0.008%  | 0.005%      | 0.005%      | 0.003%      | 0.003%      | 0.003%      | 0.003%      |
| Authority's proportionate share of the net pension liability  | \$ 189,823  | \$ 121,017  | \$ 161,000  | \$ 323,049  | \$ 316,962  | \$ 349,521  | \$ 378,335  |
| Authority's covered payroll   | \$ 132,000  | \$ 131,000  | \$ 185,021  | \$ 125,000  | \$ 150,760  | \$ 187,247  | N/A*        |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 143.81%   | 92.38%      | 87.02%      | 258.44%     | 210.24%     | 186.66%     | N/A*        |
| Plan fiduciary net position as a percentage of the total Pension liability                          | 79.89%  | 81.13%      | 78.61%      | 75.40%      | 77.69%      | 74.20%      | 72.90%      |

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.

\*There are no active employees starting with the fiscal year ended June 30, 2019.

See accompanying note to Required Supplemental Information.



NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
For the Year Ended June 30, 2021

|  | Public Employer's Retirement Fund C<br>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                                  | \$ 14,529   | \$ 15,749       | \$ 8,178       | \$ 12,694       | \$ 16,650       | \$ 35,094       | \$ 39,684       |
| Contributions in relation to the contractually required contribution | <u>(14,529)</u>   | <u>(15,749)</u> | <u>(8,178)</u> | <u>(12,694)</u> | <u>(16,650)</u> | <u>(35,094)</u> | <u>(39,684)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| Authority's covered-employee payroll                                 | \$ 131,000  | \$ 185,021      | \$ 125,000     | \$ 150,760      | \$ 187,247      | \$ -            | \$ -            |
| Contributions as a percentage of covered payroll                     | 11.09%  | 8.51%           | 6.54%          | 8.42%           | 8.89%           | N/A*            | N/A*            |

All years prior to 2015 are not available.

\*There are no active employees starting with the fiscal year ended June 30, 2019.

See accompanying note to Required Supplemental Information.

NORTHERN CALIFORNIA SPECIAL DISTRICTS INSURANCE AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2021

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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 full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the Authority's Contributions: The Schedule of the Authority's Contributions is presented to illustrate the Authority's required contributions relating to the pension. 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.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

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.



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  
Northern California Special Districts  
Insurance Authority  
Elk Grove, 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 Northern California Special Districts Insurance Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northern California Special Districts 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 Northern California Special Districts Insurance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern California Special Districts 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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(Continued)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern California Special Districts Insurance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

  
Crowe LLP

West Hartford, Connecticut  
January 31, 2022