ALLIANCE OF SCHOOLS
FOR COOPERATIVE
INSURANCE PROGRAMS

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2018

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

JUNE 30, 2018

EXECUTIVE COMMITTEE

REPRESENTATIVE	CATEGORY	OFFICE HELD
Ms. Corinne Kelsch	Joint Powers Authority	President
Ms. Angela Jones	K-8 Member District	Vice President
Mr. Kris Olafsson	Joint Powers Authority	Treasurer
Dr. Keith Butler	K12, ADA of <15,000	Member
Ms. Teresa Dreyfuss	Community College Districts	Member
Mr. Phil Hillman	K-8 Member Districts	Member
Ms. Susan Hume	K12, ADA of <15,000	Member
Mr. Michael Johnston	K12, ADA of >15,000	Member
Ms. Mays Kakish	K12, ADA of >15,000	Member
Ms. Barbara Ott	K12, ADA of <15,000	Member
Mr. Irene Sumida	Charter Public Schools	Member
Ms. Yumi Takahashi	K12, ADA of >15,000	Member
Mr. Fred Williams	Community College Districts	Member
Mr. Luis Camarena	K12, ADA of >15,000	Alternate
Mr. Tim Corcoran	Community College Districts	Alternate
Mr. Clark D. Hampton	K12, ADA of >15,000	Alternate
Mr. Peter Hardash	Community College Districts	Alternate
Dr. Antoine Hawkins	K12, ADA of <15,000	Alternate
Ms. Karen Kimmel	K12, ADA of <15,000	Alternate
Ms. Andrea Reynolds	K-8 Member Districts	Alternate
Mr. Robert McEntire	K12, ADA of <15,000	Alternate
Dr. Monica Oviedo	K12, ADA of <15,000	Alternate
Mr. Kent Taylor	K-8 Member Districts	Alternate
Mr. Dean West	K12, ADA of <15,000	Alternate

ADMINISTRATION

Mr. Fritz J. Heirich	Chief Executive Officer

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

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Gilbert Associates, Inc.
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Alliance of Schools for Cooperative Insurance Programs
Cerritos, California

Report on the Financial Statements

We have audited the accompanying financial statements of Alliance of Schools for Cooperative Insurance Programs (ASCIP), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise ASCIP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Captive Insurance for Public Agencies Limited (CIPA), a blended component unit, which statements reflect total assets of $9,219,267 as of June 30, 2018 and total revenues of $2,042,683 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CIPA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of ASCIP as of June 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2018 ASCIP adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise ASCIP's basic financial statements. The additional information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the additional information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of ASCIP'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ASCIP'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 ASCIP's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 27, 2018

Alliance of Schools for Cooperative Insurance Programs (ASCIP) is a public agency joint powers authority (JPA) which provides a number of insurance coverages including property & liability, workers' compensation, and employee benefits insurance coverage to public educational institutions including school districts and community colleges in the State of California. Formed in 1980, as a joint purchase pool ASCIP became a self-funded risk sharing pool in 1985.

In addition to providing insurance coverage, ASCIP also offers an extensive array of services in risk management, safety and loss control, health and wellness, and claims and litigation management, to support and mitigate losses, all inclusive in the program costs. ASCIP also offers other products, including the owner-controlled insurance program (OCIP) for school construction; the booster/auxiliary club insurance; underground storage tank insurance; and a host of customized insurance products to meet our members' needs.

At the September 30, 2004 meeting, the Executive Committee approved the formation of a captive insurance company to support ASCIP's owner-controlled insurance program. On February 1, 2005, ASCIP formally established Captive Insurance for Public Agencies (CIPA) in the State of Hawaii and began to operate the Owner-Controlled Insurance Program (OCIP) through the use of CIPA.

At the April 2006 Strategic Planning meeting, the Executive Committee recommended that ASCIP offer an employee benefits program to its membership and approved the merger of LARISA JPA and ASCIP effective July 1, 2006. ASCIP offered the self-funded dental and vision programs to its membership beginning July 2006. As a result of the success of the dental and vision programs, in October 2008, ASCIP launched its self-funded PPO medical program.

Effective July 1, 2016, ASCIP implemented a program enhancement to its liability program called Student Accident, designed to provide limited benefits to Pre-K to twelve students injured at school supervised and sponsored activities, including interscholastic sports. Covered benefits include medical expenses, and additional benefits in the event of accidental death, dismemberment, or paralysis. Coverage is excess of collectible insurance from any source and is designed to supplement other parent or student medical insurance. CIPA provides reinsurance support for this new program on a 50% quota-share basis with the fronting carrier, QBE.

ASCIP's Executive Committee consists of thirteen members who represent the membership categories of Community College districts, K-12 districts, K-8 districts, Charter Schools, and partner JPA school districts. Committee members are elected and serve staggered terms of three-year duration. In addition, there are a minimum of thirteen alternates. The Executive Committee members are appointed by the elected Executive Committee. The Executive Committee is responsible for providing overall leadership to the JPA, and it develops long-range goals and supporting policies to guide the direction of the organization and its staff.

ASCIP's day-to-day operations are administered by an in-house staff of forty-two, including a Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Executive Director of Health Benefits, Sr. Director of Member Services, Sr. Director of Litigation, Sr. Director of Workers' Compensation Program, Sr. Director of Risk Control Services, Director of Training and Administration Services, Director of Property & Liability Program, Information Technology Manager, Workers Compensation Program Manager, Claims Manager, five Risk Services Consultants, seven Claims Adjusters, two Benefits Services Consultants, four Accountants, and eleven administrative/technical support staff.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

ASCIP's financial statements are prepared in conformity with generally accepted accounting principles in the United States of America. Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows are included along with Notes to Financial Statements to clarify accounting policies and financial information. *The Statement of Net Position* provides information on all ASCIP's assets and deferred outflows, and liabilities and deferred inflows, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of ASCIP is improving or deteriorating. *The Statement of Revenues, Expenses, and Changes in Net Position* provides information on total revenues, total expenses and how ASCIP's net position changed during the most recent fiscal year. *The Statement of Cash Flows* is presented on the direct method to reflect the operations of ASCIP based on the inflow and outflow of cash.

ASCIP's financial activities are reported in three separate funds: Property & Liability Fund, Workers' Compensation Fund, Employee Benefits Fund. The Property & Liability Fund consists of revenues and expenditures relating to the core coverage programs (property & liability) and ancillary programs. The Workers' Compensation Fund consists of revenues and expenditures relating to the workers' compensation program. The Employee Benefits Fund consists of revenues and expenditures relating to all fully-insured and self-insured medical, dental, and vision plans, and other miscellaneous plans such as life insurance, income protection, and long-term care plan. The assets, deferred outflows, liabilities, deferred inflows, revenues and expenses for three funds are reported on a full accrual basis. CIPA's financial statements are included in the ASCIP's financial statements as a component unit of ASCIP. CIPA's financial statements reflect the revenues, expenditures, assets and liabilities of the OCIP and the Student Accident programs.

CONDENSED FINANCIAL INFORMATION
STATEMENT OF NET POSITION
JUNE 30, 2018

	2016-2017	2017-2018
ASSETS		
Current assets	$ 163,643,109	$ 177,038,279
Noncurrent assets	264,418,092	273,003,414
Capital assets, net	4,743,168	4,626,317
Total Assets	432,804,369	454,668,010
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pension	1,683,588	1,753,030
Deferred outflows of resources for OPEB		9,130
	1,683,588	1,762,160
LIABILITIES		
Current liabilities	102,979,826	107,048,913
Unpaid claims and claims adjustment expense, net of current portion	134,959,319	142,179,072
Net OPEB liability	185,530	388,840
Net pension liability	1,643,087	1,967,870
Total Liabilities	239,767,762	251,584,695
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension	604,583	442,658
Deferred inflows of resources for OPEB		182
	604,583	442,840
NET POSITION		
Invested in capital assets, net	4,743,168	4,626,317
Net position, designated	5,020,342	6,778,362
Net position, undesignated	184,352,102	192,997,956
Total Net Position	$ 194,115,612	$ 204,402,635

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	2016-2017	2017-2018
Operating Revenue:		
Member contributions	$ 268,744,570	$ 259,307,983
Operating Expenses:		
Provision for claims and claim adjustment expense	147,092,603	129,058,301
Excess insurance premiums	25,944,010	25,739,229
Employee Benefits Insurance premium	63,527,929	63,256,272
Contract services	14,464,110	14,474,940
Dividend expense	3,407,830	10,027,194
General administrative expenses	7,746,882	8,991,232
Total Operating Expenses	262,183,364	251,547,168
Nonoperating Revenue:		
Interest and dividend income	5,898,989	7,987,611
Net increase (decrease) in fair value of investments	(3,832,467)	(6,029,577)
Other income	673,013	721,728
Total Nonoperating Revenue	2,739,535	2,679,762
Change in Net Position	9,300,741	10,440,577
Total Net Position, Beginning of Year, as previously reported	184,814,871	194,115,612
Cummulative effect of adoption of new accounting standard		(153,554)
Total Net Position, Beginning of Year, as Restated		193,962,058
Total Net Position, End of Year	$ 194,115,612	$ 204,402,635

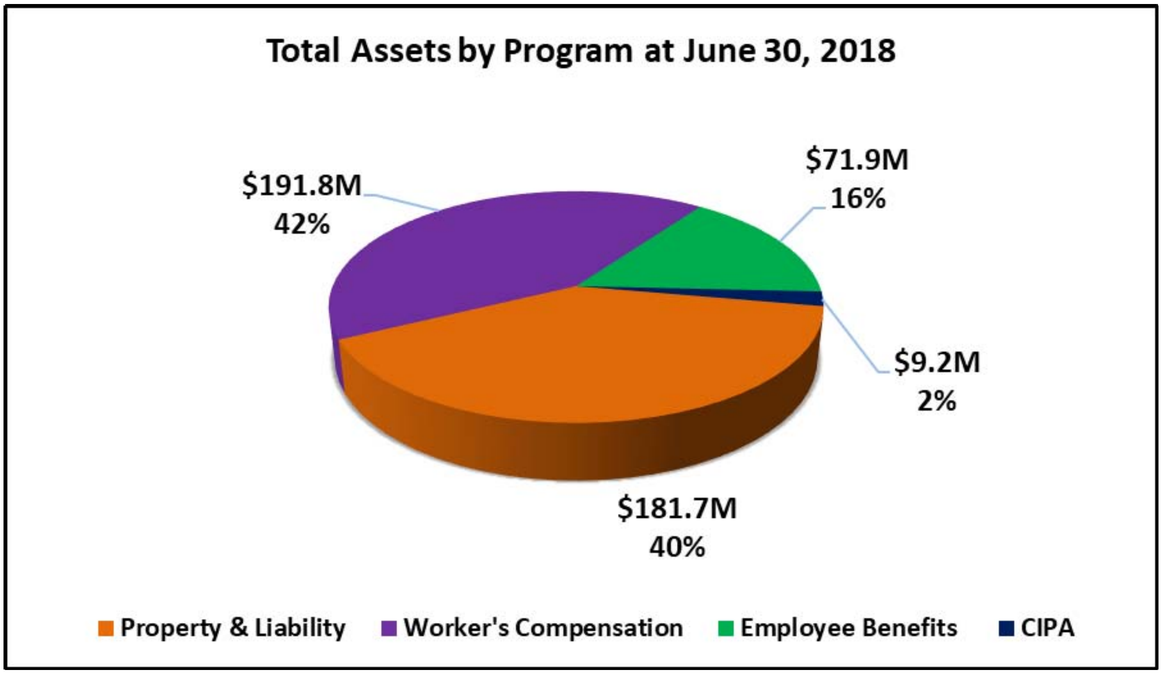
ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

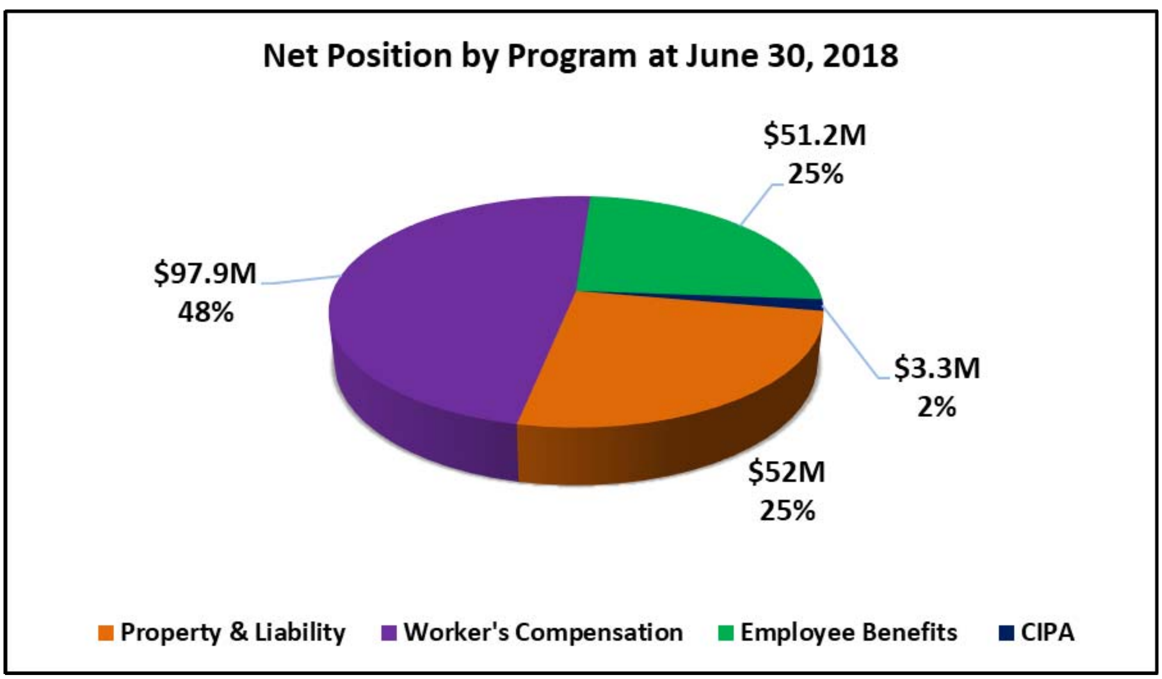
ASCIP's total assets increased approximately $21.9 million from $432.8 million as of June 30, 2017 to $454.7 million as of June 30, 2018. The increase in cash and investments contributed to the majority of the increase in total assets. ASCIP invests those funds not immediately necessary for claims payments in long-term securities in order to optimize the rate of return. The total assets consist of $181.7 million from the property & liability fund, $191.8 million from the workers' compensation fund, $71.9 million from the employee benefits fund, $9.2 million from CIPA. As of June 30, 2018, the workers' compensation and employee benefits programs experienced an increase in net position, whereas the property & liability program and CIPA had a decrease in net position. The property & liability's net position decreased by $2.7 million primarily due to the decrease in investment value as a result of the rise in short-term interest rates. The workers' compensation programs' net position increased by $11.9 million mainly due to favorable claims experience despite a considerable decrease in investment value due to higher interest rates and a release of $3.5 million in rebate. The employee benefits program experienced an increase in net position of $1.3 million primarily due to favorable claims experience in the self-funded dental program. CIPA experienced a decrease in net position of approximately $34,000, mainly due to the unfavorable loss development in the OCIP program.

Total liabilities increased by approximately $11.8 million, primarily due to the increase in provision for claims and claims adjustment expense in the property & liability program and the premium dividend payable accrued in the employee benefits program. The outstanding claims liability in the property & liability program increased by approximately $6.7 million from approximately $107 million as of June 30, 2017 to $113.7 million as of June 30, 2018. The claims liability in the workers' compensation program increased by $188,000, from $74 million as of June 30, 2017 to $74.2 million as of June 30, 2018. The employee benefits program incurred a total outstanding claims liability of $5.1 million, a decrease of $1.09 million from the prior year. As of June 30, 2018, the outstanding claims liability for the OCIP program increased by $820,000 to $3.3 million. The student accident program had an outstanding claims liability of $140,000, a decrease of $23,000. The outstanding claims liabilities for all programs were recorded at undiscounted. Total unallocated claims adjustment expense (ULAE) for all programs increased by $929,000 mostly due to the increase in ULAE in the property and liability and workers' compensation programs.

In fiscal year 2017-18, ASCIP collected a total of $259.3 million in premiums from all programs, a decrease of $9.4 million from the prior year. The total premium revenues in the property & liability program decreased by $191,000 from the prior year to $56.8 million, mainly due to the decrease in general liability premiums as a result of the decrease in membership. Total premium contributions in the workers' compensation program decreased by $1.9 million, primarily due to one large member moved from the dollar-one program to taking a $150,000 retention and the decrease in renewal rates. During fiscal year 2017-18, ASCIP collected $7.5 million less in health benefits premiums compared to the prior year due to one large member left the self-funded medical program. In 2017-18 fiscal year, CIPA earned a total premium revenue of $2.6 million, an increase of $147,000 from the prior year. The OCIP program earned a total premium of $1.9 million for the year. The student accident program generated $613,000 in premium revenues.

ASCIP incurred total expenses of $251.5 million in fiscal year 2017-18, decreased by $10.6 million. The decrease in total expenses was predominantly due to the decrease in claims expense in the workers' compensation, despite an increase in premium rebate. In general, other operating expenses held constant from the 2016-17 fiscal year to 2017-18 fiscal year. The overall increase in net position for the year ended June 30, 2018 was $10.4 million to an ending net position of approximately $204.4 million.





ANALYSIS OF BALANCES AND TRANSACTION OF INDIVIDUAL FUNDS

Property & Liability Program

The total assets in the property & liability fund increased by $15,000 to $181.7 million as of June 30, 2018. The increase was mainly attributable to the increase in cash, partially offsetting by the decrease in investments. Total cash balance increased from nearly $15 million as of June 30, 2017 to $15.6 million at the end of fiscal year 2017-18. During the fiscal year, the property & liability program did not make any transfers from the funds in LA County pool to the investment portfolio. To maximize ASCIP's investment income and to ensure that ASCIP's investments are in compliance with the California Government Code, Section 53601 and ASCIP's investment policy, ASCIP utilizes Public Financial Management, Inc. as an investment advisor to manage ASCIP's investment portfolio. ASCIP's investments are bifurcated into two separate portfolios. One for the property & liability program and one for the workers' compensation program. The property & liability investment portfolio balance decreased by $478,000 to an ending balance of $156.3 million as of June 30, 2018. The decrease in the property & liability portfolio balance was mainly due to the decrease in investment value as the result of rising interest rates during the year.

The total liabilities in the property & liability fund increased by $2.97 million to $130.5 million as of June 30, 2018, primarily due to the increase in outstanding claims liability. The pool's total claims liability increased by $6.7 million from approximately $107 million as of June 30, 2017 to $113.7 million as of June 30, 2018. This outstanding claims liability for unpaid losses was recorded undiscounted as actuarially determined. The increase in outstanding claims liability was mainly due to the increase in IBNR reserves in the liability and property lines of coverage.

Net position in the property & liability fund decreased by $2.7 million to an ending balance of $51.98 million as of June 30, 2018.

Total premium revenues in the property& liability fund decreased by $191,000 from the prior year to $56.8 million primarily due the decrease in membership. The program lost two members in this fiscal year and have a total of 112 members. In 2017-18, ASCIP's property & liability program insured almost $30 billion in property values and nearly $1.2 million in students. For the year, the program earned a total of $3.5 million in investment income and recognized a net decrease in investment fair value of $3.1 million. The program also generated $720,000 in other income from other ancillary programs such as the Booster Club, the Underground Storage Tanks and the Rent-a-Risk Manager programs. These programs are offered to members as optional coverages.

The total operating expenses in the property & liability fund decreased by $670,000, largely due to the decrease in claims payments made during the year. Claims payments decreased by $1.7 million from the prior year. To avoid incurring a catastrophic or severe loss in any one program year, ASCIP purchased excess and/or reinsurance in each of its programs. In fiscal year 2017-18, the total excess and reinsurance premiums increased by $145,000, mainly due to the increase in excess property premium. This year, ASCIP continued to retain the same reinsurance structure in the liability program with a slightly higher quota share. ASCIP self-insured up to $2 million and purchased reinsurance for the $3 million in excess of $2 million layer with no aggregate deductible and took a 25 percent quota share of loss with four other reinsurers in this layer, compared to 20 percent quota share last year. In the property program, ASCIP continued to carry a $1 million deductible as it was in the previous years. Risk control expenses incurred in 2017-18 were higher than the previous year by $415,000, primarily due to an increase in utilization of services. All other operating expenses in the property & liability program held constant from fiscal year 2016-17 to fiscal year 2017-18.

Workers' Compensation Program

The workers' compensation fund ended the fiscal year 2017-18 with the total assets of $191.8 million, an increase of $11.5 million from the prior year. The total assets included $46.9 million in cash and cash equivalents, $2.1 million in accounts receivable, and $142.8 million in investments. During the fiscal year, the workers' compensation program transferred $10 million from the funds in LA County pool to the investment portfolio; therefore, the workers' compensation portfolio balance rose to $142.8 million as of June 30, 2018. For the year, the workers' compensation program earned a total of $3.5 million in interest income that was re-invested in the portfolio and recognized a net decrease in investment fair value of $2.9 million.

The total liabilities in the workers' compensation fund decreased by $308,000 to $94.2 million at the end of fiscal year. The decrease was mainly driven by the decrease in the balance of the Risk Management Deposit Fund (RMDF). The member deposit in the RMDF has been reduced significantly over the year. The outstanding claims liability for unpaid losses increased slightly by $188,000 to $74.2 million. This increase was primarily due the addition of the outstanding liability for the current fiscal year, despite a decrease in projected ultimate losses for the years prior to June 30, 2017 by $8.9 million. This year, the unallocated claims adjustment expense increased by $475,000 to $11.9 million. ASCIP handles all claims for the SIR program participants and for the 1st Dollar Program participants even when the losses are 100% ceded, as was the case between 2009-10 and 2011-12. The actuary estimated that ASCIP spends 11.3 cents on ULAE for every $1.00 that it spends in gross loss and ALAE. The total liabilities also included a dividend payable. Again, due to the substantial equity in the program, this year ASCIP's Board declared a total retrospective rebate of $3.5 million. Over the last ten years, the workers' compensation program has returned a total of $29.2 million back to its members. Despite a large rebate, the workers' compensation fund closed the fiscal year with an increase in net position of $11.9 million, which brought the ending net position to $97.9 million as of June 30, 2018. This increase was mainly attributable to favorable loss experience and an overall well-managed program.

Member contributions in the workers' compensation program decreased by $1.9 million to $34.5 million for the year ended June 30, 2018 mainly due to one large member moved from the dollar-one program to taking a $150,000 retention and the decrease in renewal rates. The overall composite rate decreased by 3%. In program year 2017-18, the workers' compensation program added one member for a total of forty-four members. Total program payroll increased by approximately $170 million to a total payroll of $2.71 billion.

Total operating expenses in the workers' compensation program decreased by $12.7 million from the prior year, primarily due to the decrease in provision for IBNR and case reserves and ULAE. This year, the provision for IBNR and case reserves was $188,000, compared to $10.4 million last year. The provision for ULAE was $475,000, compared to $3.7 million in the prior year. The excess insurance premium was pretty much flat compared to last year's premium. The general operating expenses were allocated to the workers' compensation fund based on a portion of estimated staff time dedicated to this program. For the fiscal year 2017-18, 18% of indirect general and administrative costs were allocated to the worker's compensation fund.

Employee Benefits Programs

Effective July 1, 2006, ASCIP began offering employee benefits programs to its membership. In addition to the core employee benefits programs such as medical, dental and vision, ASCIP also offers several other ancillary programs including life insurance, income protection plan, long-term care, and social security alternative plan.

As of June 30, 2018, the employee benefits fund had total assets of $71.9 million, an increase of $9.7 million from prior year. The total assets included $66.8 million in cash and cash equivalents, $4.65 million in prepaid deposits, and $454,000 in accounts receivable.

The total liabilities in the employee benefits fund were $21.05 million including $8.3 million in accounts payable, $5.1 million in outstanding claims liability, $430,000 in unallocated claims adjustment expense, $692,000 in net OPEB and pension liability. As of June 30, 2018, the employee benefits program's outstanding claims liability decreased by $1.09 million. This decrease was largely driven by the decrease in the IBNR reserves in the self-funded medical and dental plans. The medical plan reserves decreased this year mostly due to lower enrollment and claims for the Anthem medical and prescription drugs. The decrease in the IBNR reserves also decreased the provision for claims adjustment expense by $100,000.

For the year ended June 30, 2018, member contributions in the employee benefits programs totaled $165.4 million including $116.3 million from the medical and miscellaneous plans, $44.4 million from the dental plans, and $4.7 million from the vision plans. Total member contributions for fiscal year 2017-18 was $7.5 million lower compared to the prior year mainly due to the departure of one large member from the self-funded medical plan.

During fiscal year 2017-18, the employee benefits program incurred total operating expenses of $165.1 million, which included $63.2 million in insurance premiums paid for the fully-insured plans, $83.8 million in claims payment made for the self-funded plans, $1.2 million decrease in provision for IBNR, case reserves and ULAE, $4.6 million in claims administration, $5.6 million in excess insurance, $6.5 million in premium rebate, and $2.5 million in other general administrative expenses. For the first time since the inception of the employee benefits program in 2006-07, ASCIP is able to return $6.5 million to the members participating in the employee benefits program due to favorable overall loss experience during the program years of 2006-07 to 2013-14. Total expenses for fiscal year 2017-18 were $2.2 million higher than the previous year primarily due to the premium rebate declared during the fiscal year.

For the year, despite a large premium rebate, the employee benefits program ended with a total of $1.3 million increase in net position, which increased the ending net position to $51.2 million as of June 30, 2018.

Captive Insurance for Public Agencies, Ltd. (CIPA)

CIPA is a licensed pure captive insurance company. CIPA was incorporated on January 25, 2005 and received its Certificate of Authority from the Insurance Commissioner of the State of Hawaii on February 1, 2005. CIPA was organized to transact business as a licensed captive insurance company and to operate for the benefit of ASCIP.

ASCIP administers an Owner-Controller Insurance Program (OCIP) to insure new construction and renovation projects undertaken by participating districts, which covers contractors and all subcontractors on any work at or emanating from the project site. Under the OCIP, ASCIP procures, negotiates, and provides oversight over OCIP services, such as business development, enrollment of participating projects in the OCIP, procurement of OCIP insurance coverage from third-party insurance carriers, claims adjusting services, and OCIP brokerage and administrative services. CIPA serves as a risk funding mechanism for portions of risk under OCIP.

Prior to February 1, 2018, CIPA provided OCIP workers' compensation, employers' liability and general liability deductible reimbursement coverage of $500,000 per occurrence with no aggregate limit. Effective February 1, 2018, CIPA converted the coverage to a reinsurance assumed arrangement with a fronting carrier, with no changes in the covered limits.

Effective July 1, 2016, CIPA provides reinsurance for a student accident insurance program offered to all ASCIP members. Under the terms of a reinsurance agreement with a fronting carrier, CIPA participates on a 50% quota share basis in the program.

<u>Owner-Controller Insurance Program (OCIP)</u>

In fiscal year 2017-18, the OCIP program added three new construction projects and closed four projects with a total premium of $1.7 million bringing the total number of projects to 83 projects and a total premium of $34.4 million from the inception of CIPA in 2005.

In compliance with Generally Accepted Accounting Principles (GAAP), the OCIP program recognized revenues over the life of the projects. For fiscal year 2017-18, the OCIP program earned a total premium of $1.95 million, including $427,000 on project enrolled during this fiscal year, and $1.5 million on projects enrolled in previous fiscal years. Collected but unearned revenue of $1.6 million will be recognized in future fiscal years.

Total expenses for the fiscal year 2017-18 were $2.3 million. Included in the total expenses were excess insurance premium of $576,000, IBNR adjustment of $820,000, loss payment of $234,000, OCIP administrator and broker's fees of $311,000, and general administrative expenses of $400,000.

For the year, the OCIP program had a decrease in net position of $335,000, lowering the total net position to $2.72 million as of June 30, 2018. The decrease in net position was primarily due to the increase in case reserves on a few projects.

At June 30, 2018, the OCIP program's total assets were $8.48 million and liabilities were $5.76 million. The total assets included $6.1 million investments in various types of fix-income securities. In order to maximize investment returns, CIPA also utilizes Public Financial Management, Inc. as its investment advisor to manage its investment portfolio.

<u>Student Accident Program</u>

For fiscal year 2017-18, the Student Accident program earned a total premium of $613,000. This is 50% share of the program gross premium of $1.23 million with the fronting carrier, QBE.

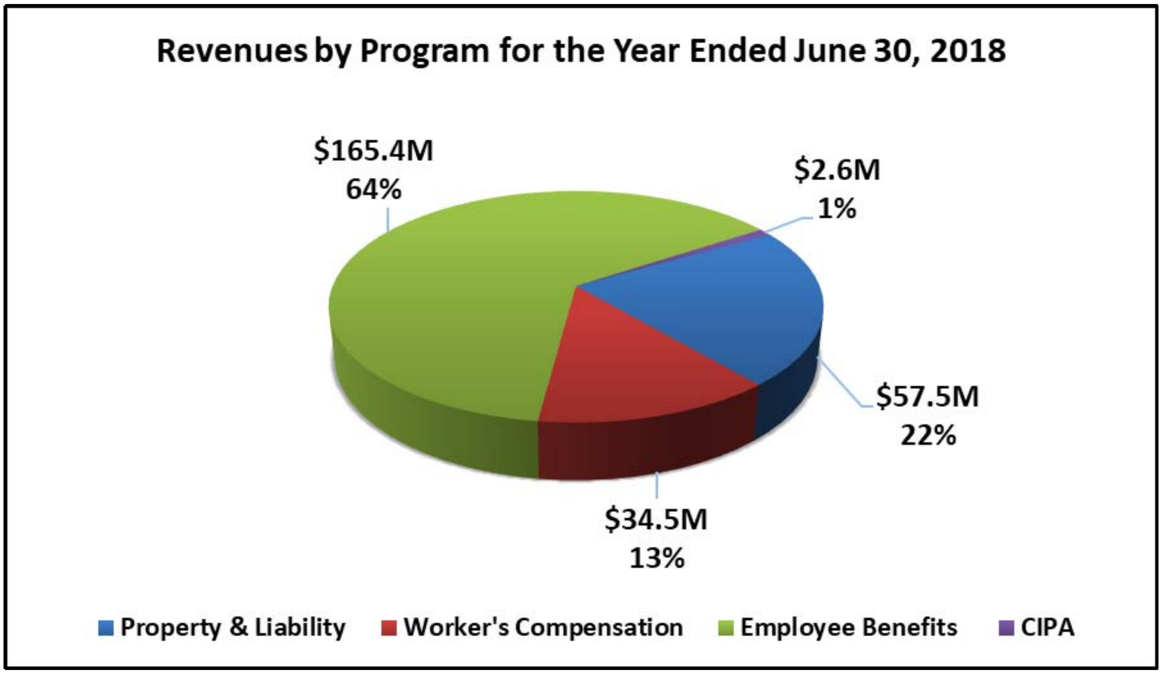
Total expenses for the fiscal year were $312,000. Included in the total expenses were $74,000 of paid losses, a reduction of $23,000 in IBNR and case reserves, $93,000 of intermediary fee and commission, $46,000 of claims administration fees, $49,000 of carrier fronting fee, and $73,000 of other contract services and expenses.

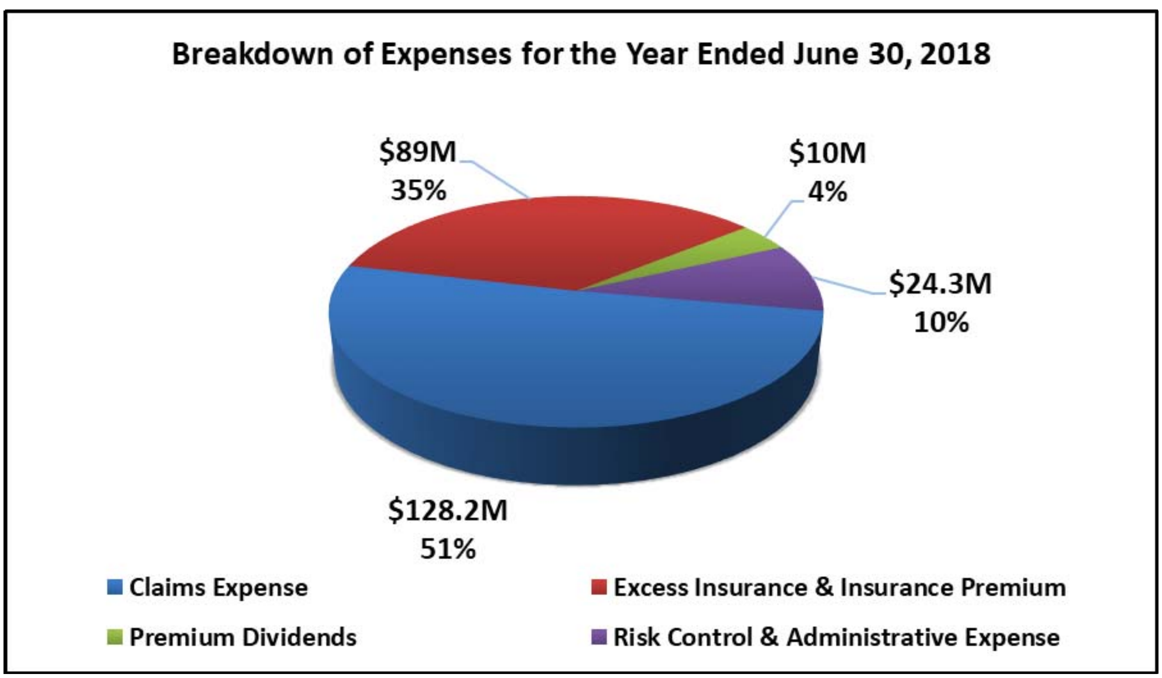
For the year, the Student Accident program had a net income of $301,500. At June 30, 2018, the program's total assets were $974,000. These are funds held by the carrier. Total liabilities were $378,000 including $237,000 of allocated expenses payable to the OCIP program and $140,000 of case reserves and IBNR.

QBE requires CIPA to provide appropriate collateral as security for its obligations, where CIPA's obligations are comprised of unpaid loss reserves and unearned premium reserves. CIPA satisfies the requirement under a funds withheld arrangement. If the funds withheld are not sufficient to cover CIPA's obligations, CIPA may need to provide additional collateral to QBE.

Under the reinsurance agreement, 80% of the excess funds withheld will be released to CIPA 12 months following expiration of the coverage, with remaining amounts released 18 months after expiration.

GRAPHICAL PRESENTATION OF REVENUES AND EXPENSES





BASIC FINANCIAL STATEMENTS

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:	
Current assets:	
Cash and cash equivalents	$ 117,384,990
Restricted cash and cash equivalents	12,220,527
Receivables	8,902,309
Prepaid expenses and other assets	1,637,278
Investments maturing within one year	30,159,975
Restricted investments maturing within one year	6,733,200
Total current assets	177,038,279
Noncurrent assets:	
Investments, net of amount maturing within one year	268,353,414
Deposits	4,650,000
Capital assets, net	4,626,317
Total noncurrent assets	277,629,731
Total assets	454,668,010
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources for pension	1,753,030
Deferred outflows of resources for OPEB	9,130
Total deferred outflows of resources	1,762,160
LIABILITIES:	
Current liabilities:	
Accounts payable	10,870,378
Advance SIR & excess insurance payments	300,446
Unearned premium revenues	1,604,970
Premium dividend payable	10,027,194
Licensing agreement obligation	93,600
Risk management deposit fund	11,076,866
Safety credit payable	1,098,499
Current portion of unpaid claims	54,205,639
Unallocated claims adjustment expense (ULAE)	17,771,321
Total current liabilities	107,048,913
Noncurrent liabilities:	
Unpaid claims and claim adjustment expenses, net of current portion	142,179,072
Net pension liability	1,967,870
Total OPEB liability	388,840
Total noncurrent liabilities	144,535,782
Total liabilities	251,584,695
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources for pension	442,658
Deferred inflows of resources for OPEB	182
Total deferred inflows of resources	442,840
NET POSITION:	
Invested in capital assets	4,626,317
Restricted	6,778,362
Unrestricted	192,997,956
Total net position	$ 204,402,635

The accompanying notes are an integral part of these financial statements.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

OPERATING REVENUES:	
Premium deposits from members	$ 259,307,983
Other income	721,728
Total operating revenues	260,029,711
OPERATING EXPENSES:	
Claims expense, net of reimbursements of $11,715,821	121,669,434
Provision for IBNR and case reserves	6,548,483
Provision for ULAE reserves	840,384
Excess/reinsurance premiums	25,739,229
Health benefits insurance premiums	63,256,272
Contract services	10,012,318
Loss control and risk management	4,462,622
Premium dividends	10,027,194
General and administrative	8,991,232
Total operating expenses	251,547,168
Operating income	8,482,543
NON-OPERATING REVENUES (EXPENSES):	
Interest and dividend income	7,987,611
Net unrealized gain (loss) on investments	(6,029,577)
Total non-operating income	1,958,034
Increase in net position	10,440,577
Net position, beginning of year, as previously reported	194,115,612
Cumulative effect of adoption of new accounting standard	(153,554)
Net position, beginning of year, as restated	193,962,058
Net position, end of year	$ 204,402,635

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from premium contributions and other income	$ 259,509,656
Cash paid for claims	(121,581,881)
Cash paid to benefits, insurance, and other expenses	(111,892,594)
Cash paid to employees	(5,845,932)
Cash paid to pension plan and retirees	(422,934)
Net cash provided by operating activities	19,766,315
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(216,382)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(235,250,831)
Proceeds from sale or maturity of investments	219,945,360
Interest and investment income received	7,469,319
Net cash used by investing activities	(7,836,152)
Net increase in cash and cash equivalents	11,713,781
Cash and cash equivalents, beginning of year	117,891,736
Cash and cash equivalents, end of year	$ 129,605,517
RECONCILIATION TO STATEMENT OF NET POSITION:	
Cash and Cash Equivalents	$ 117,384,990
Restricted Cash and Cash Equivalents	12,220,527
Cash and cash equivalents, end of year	$ 129,605,517
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	$ 8,482,543
Adjustments to reconcile operating income to net cash provided by operating activities:	
Loss on disposal of capital assets	1,203
Depreciation expense	332,030
(Increase) decrease in:	
Receivables	(521,258)
Prepaid expenses and other assets and deposits	48,733
Deferred outflows of resources	(78,572)
Increase (decrease) in:	
Accounts payable and other liabilities	6,276,871
Unearned premium revenues	(265,473)
Risk management deposit fund	(2,198,978)
Unpaid claims and claim adjustment	7,476,420
Net pension liability	324,783
Total OPEB liability	49,756
Deferred inflows of resources	(161,743)
Net cash provided by operating activities	$ 19,766,315
NONCASH INVESTING ACTIVITIES:	
Net increase in fair value of investments	$ 9,283,702

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Alliance of Schools for Cooperative Insurance Programs (ASCIP) was formed in October 1985, under a joint powers agreement (JPA) between participating school districts located within Los Angeles and Orange Counties, pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the California Government Code. Subsequently, ASCIP expanded to a statewide charter effective 1994. The purpose of ASCIP is to provide a more viable and economical insurance program to its members than individual members might otherwise be able to obtain operating on their own. During the fiscal year ended June 30, 2018, there were 138 participants in ASCIP programs. Members may withdraw from ASCIP at the end of any fiscal year by notifying the Executive Committee in writing at least 90 days prior to the close of the insurance coverage year.

The annual deposit premium for each member is calculated based upon factors normally used to calculate annual insurance premiums. Prior years' premiums will be recalculated and adjusted until all claims are closed or until the Executive Committee determines that sufficient facts are known so that no additional calculations should be made.

In the event of the dissolution of ASCIP, the participating members would receive a pro-rata share of any fund equity or be liable for a pro-rata share of any debts and liabilities based upon the premiums and claims of such school districts.

ASCIP includes all funds that are controlled by or dependent on ASCIP's governing board for financial reporting purposes. ASCIP has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America.

Component units are legally separate organizations for which ASCIP is financially accountable. Component units may include organizations that are fiscally dependent on ASCIP in that ASCIP approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which ASCIP is not financially accountable but the nature and significance of the organization's relationship with ASCIP is such that exclusion would cause ASCIP's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in ASCIP's financial statements because of their relationship with ASCIP. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if they were part of ASCIP's operations because the governing board of the component unit is essentially the same as the governing board of ASCIP and because their purpose is to provide insurance coverage for the benefit of ASCIP, as described below.

The Captive Insurance for Public Agencies Limited (CIPA) was incorporated on January 25, 2005, in the State of Hawaii, and is authorized to transact the business of a captive insurance company.

CIPA insures (or reinsures) coverages that are either, materially non-homogenous across the membership of ASCIP's Property & Liability program and feasible to be insured or reinsured (e.g. OCIP) or are non-District risks which ASCIP or its members have facilitated being insured as reducing potential risk to ASCIP programs or its members (e.g. OCIP and the student accident coverage).

CIPA's fiscal year end is June 30. ASCIP retains a local captive manager and program administrator of CIPA's insurance program. CIPA issues separate financial statements which are maintained by ASCIP.

Basis of Presentation

For financial reporting purposes, ASCIP is considered a special-purpose government engaged only in business-type activities. Accordingly, the accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with governmental generally accepted accounting principles. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. Operating revenues include premium deposits from members net of any applicable rate credits. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium dividends, and general and administrative expenses. All other revenues and expenses are considered nonoperating.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. ASCIP has three enterprise funds and no internal service funds.

Property and Liability Fund

Members participate in the following programs:

Liability Insurance:

A self-funded liability insurance plan covering claims up to $5,000,000 per occurrence, with member option for deductibles ranging from $0 - $250,000, and with reinsurance support as follows:

A reinsured liability insurance program covering claims between $2,000,001 and $5,000,000 in which ASCIP takes a 25 percent quota share position.

Property Insurance:

A self-funded property insurance plan covering claims up to $1,000,000 per occurrence, with member option for deductibles ranging from $5,000 - $250,000.

A fully reinsured property insurance program covering claims beyond the $1,000,000, up to $600,000,000 per occurrence.

Crime Insurance:

A self-funded crime insurance plan covering claims above each school district's $500 deductible with the following limits:

Employee faithful performance, depositor's forgery, and wire fund transfer:

A self-funded insurance plan covering claims up to $250,000.

A fully insured insurance plan covering claims between $250,000 and $5,000,000.

Theft, disappearance, and destruction coverage form and robbery and safe burglary coverage form:

A self-funded insurance plan covering claims up to $250,000.

A fully insured insurance plan covering claims between $250,000 and $1,000,000.

Auto Physical Damage Insurance:

A self-funded auto physical insurance plan covering the replacement cost value of the damaged vehicle above each school district's $1,500 deductible.

Workers' Compensation Fund

Members participate in the following programs:

A self-funded Workers' Compensation Plan covering claims up to $1,000,000 per occurrence for workers' compensation and employer liability benefit.

A fully insured excess program covering claims excess of $1,000,000 per occurrence to statutory limits for workers' compensation.

Employee Benefits Fund

Members participate in the following programs:

Medical:

A fully-insured Health Maintenance Organization (HMO) program administered through United Healthcare and Kaiser Permanente covering medical benefits with various plan options.

A fully-insured Preferred Provider Organization (PPO) program administered through United Healthcare covering medical benefits with various plan options.

A self-funded Blue Cross/Blue Shield Preferred Provider Organization (PPO) and a flex funded Health Maintenance Organization (HMO) program up to $150,000 per individual per year, administered through the Self-Insured Schools of California (SISC).

Dental:

A self-funded PPO dental program administered through Delta Dental of California covering benefits with various plan designs.

A fully-insured dental HMO program administered through DeltaCare USA covering benefits with various plan designs.

Vision:

A self-funded PPO vision program administered through Vision Service Plan covering benefits with various plan designs.

A fully-insured vision program administered through DeltaCare Vision covering benefits with various plan designs.

Ancillary Programs:

A fully-insured Income Protection program administered through Voya Financial covering short-term and long-term disability.

A fully-insured Long-Term Care Program administered through Unum Provident covering benefits for assistance in daily living activities or cognitive impairment.

A fully-insured Life Insurance Program administered through Voya Financial covering Life and Accidental Death and Dismemberment (AD&D) with various coverage limits.

A defined contribution alternative plan offered in lieu of social security for part-time, seasonal, and temporary employees administered through MetLife.

In addition to these three funds, ASCIP's component unit, CIPA, accounts for the following programs on a full-accrual basis.

Owner-Controlled Insurance Program (OCIP) Fund

Members may participate in the following programs:

A self-funded Owner-Controlled Insurance Program (OCIP) that provides public school construction and covers workers' compensation, general liability, pollution liability, and owners protective professional liability for the districts and their construction contractors and subcontractors up to $500,000 per occurrence.

A fully-reinsured OCIP program between $500,000 to statutory limit for workers' compensation benefits, between $500,000 to $17,000,000 for general liability, and between $500,000 to $5,000,000 for pollution liability, and $100,000 for owners protective professional liability.

Student Accidental Fund

Members participate in the following program:

An insured student accident program that provides reimbursement for medical expenses and benefits for accidental death and dismemberment. The coverage has a $250 deductible with varying maximum limits between $10,000 and $25,000 depending on the benefit.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ASCIP considers investments in the County Treasurer, investment in the State Investment Pool, and money market mutual funds to be cash equivalents.

Investment and Investment Pools

ASCIP records its investments at fair value and cash in Local Agency Investment Fund and County Treasury (investment pools) at cost which approximates fair value. Changes in fair value are reported as revenue in the S*tatement of Revenues, Expenses, and Changes in Net Position*. The effect of recording investments and investment pools at fair value is reflected as a net unrealized gain (loss) on investments in the statement of revenues, expenses, and changes in net position.

Fair value of investments has been determined based on quoted market prices. ASCIP's investments in investment pools have been valued based on the relative fair value of the entire external pools to the external pool's respective amortized cost.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The CIPA OCIP program requires that certain investments be set aside as collateral for the self-insured retention. These are classified as restricted investments because their use is limited. In addition, amounts equivalent to the Risk Management Deposit Fund (Note 11) and Safety Credit Payable (Note 12) are also classified as restricted cash and equivalents because they can only be used at member direction to offset future premiums or for other risk management and safety expenses.

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services.

Deposits

Deposits represent amounts paid on variable cost reserve calculation, which is based on one and a half months of projected claim payments.

Capital Assets

Equipment acquired by ASCIP is capitalized. Depreciation of fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives ranging from three to ten years using the straight-line method of depreciation. Depreciation expense amounted to $332,030 for the year ended June 30, 2018.

Unearned Revenue (Premium Income)

Unearned revenue arises when potential revenue does not meet the criteria for recognition in the current period or when resources are received by ASCIP prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when ASCIP has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

Unpaid Claims Liabilities

ASCIP establishes claims liabilities 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 salvage and 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 claims liabilities does not necessarily result in an exact amount, particularly for coverage's such as general liability. Claims liabilities 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 reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Deferred Outflows/Inflows of Resources

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

Contributions made to ASCIP’s pension and OPEB plans after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability and total OPEB liability in the next fiscal year.

Additional factors involved in the calculation of ASCIP's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between ASCIP's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

Pensions

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of ASCIP's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Premium Dividends

An accrual for premium dividends is estimated based on ASCIP's historical and current claims experience and recorded upon approval by the Board.

Excess Insurance

ASCIP uses excess and reinsurance agreements to reduce its exposure to large losses on all types of insured events. Excess insurance permits recovery of a portion of losses from excess insurers, although it does not discharge the primary liability of ASCIP as direct insurer of the risks insured. ASCIP does not report excess insured risks as liabilities unless it is probable that those risks will not be covered by excess insurers.

Income Taxes

ASCIP's income is exempt from Federal income taxes under Internal Revenue Code Section 115 and the corresponding section of the California Revenue and Taxation Code.

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 expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Adoption of New Accounting Standard

For the year ended June 30, 2018, ASCIP implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires employers to report an OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note 16 explains the effect of the implementation of GASB 75.

Since GASB 75 requires retroactive application, the total OPEB liability offset by the related deferred outflow of resources and prior recognized OPEB liabilities as of June 30, 2017 reduces the beginning net position for the fiscal year ended June 30, 2018. As a result, for the year ended June 30, 2018, the beginning net position decreased by $153,554 as the cumulative effect of a change in accounting principles.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

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

Cash on hand and in banks	$ 1,720,615
Investments classified as cash equivalents:	
Investment in Local Agency Investment Fund	4,125,036
Investment in County Treasury	123,759,866
Total Cash and Cash Equivalents	$ 129,605,517

Investments

Investments as of June 30, 2018, are classified as follows:

Investments maturing within one year	
Unrestricted	$ 30,159,975
Restricted	6,733,200
Investments maturing after one year	
Unrestricted	268,353,414
Total Investments	$ 305,246,589

Policies and Practices

ASCIP is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

ASCIP is a voluntary participant in the Los Angeles County investment pool. The cost of ASCIP's investment in the pool is reported in the accompanying financial statements at amounts based upon ASCIP's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. For additional information visit the Los Angeles County Treasurer's website at: www.ttax.co.la.ca.us.

Investment in the State Investment Pool

ASCIP is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The cost of ASCIP's investment in the pool is reported in the accompanying financial statement at amounts based upon ASCIP's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. For additional information visit LAIF's website at: www.treasurer.ca.gov/pmia-laif.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Municipal Securities	5 years	None	None
U.S. Treasury Obligations	11 years	None	None
U.S. Agency Securities	11 years	None	None
Banker's Acceptance	180 days	40%	30%
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	25%
Negotiable Certificates of Deposits	5 years	30%	25%
Commercial Paper	270 days	25%	25%
Money Market Funds	N/A	20%	None
Mortgage- and Asset-Backed Securities	5 years	20%	25%
Supranationals	5 years	10%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Additional notes:
- LAIF maximum of $65 million per investor.
- Maximum of 25% in any one non-governmental issuers
- Federal Agency mortgage-based securities (including pass-throughs and CMOs) shall have a maximum remaining average life of ten years or less
- A maximum of 35% of the Workers' Compensation portfolio may be invested in securities with maturities in excess of five years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. ASCIP has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. ASCIP manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of ASCIP's investments classified as cash equivalents and investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of ASCIP's investment by maturity:

Cash/Investment Type	Reported Amount	12 Months Or Less	13-24 Months	25-60 Months	More Than 60 Months
County Pool	$ 123,759,866	$123,759,866			
State Investment Pool	4,125,036	4,125,036			
	127,884,902	127,884,902			
U.S. Treasury Obligations	90,305,024	7,564,996	$ 15,763,800	$ 53,593,004	$ 13,383,224
Negotiable Certificates of Deposit	59,427,664	25,997,767	22,922,694	10,507,203	
U.S. Agencies Obligations	57,315,609	1,288,235	14,076,841	41,950,533	
Corporate Notes	53,389,228	213,984	17,450,847	35,724,397	
Supranational Obligations	27,453,067	614,674	2,801,101	24,037,292	
Mortgage- and Asset-Backed Securities	16,352,032	209,554	1,759,194	14,383,284	
Commercial Paper	1,003,965	1,003,965			
	305,246,589	36,893,175	74,774,477	180,195,713	13,383,224
Total	$ 433,131,491	$164,778,077	$ 74,774,477	$180,195,713	$ 13,383,224

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, ASCIP's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Cash/Investment Type	Fair Value	Minimum Legal Rating	S&P and Fitch Ratings as of Year End AAA	AA	A	A-1	Unrated
U.S. Treasury Obligations	$ 90,305,024	**		$ 90,305,024			
Negotiable Certificates of Deposit	59,427,664	*		21,874,496	$ 23,930,254	$ 11,872,914	$ 1,750,000
U.S. Agencies Obligations	57,315,609	*		57,315,609			
Corporate Notes	53,389,228	A		8,651,987	44,737,241		
Supranational Obligations	27,453,067	AA	$ 27,453,067				
Mortgage- and Asset-Backed Securities	16,352,032	AA	11,859,107	4,492,925			
Commercial Paper	1,003,965	A-1				1,003,965	
County Pool	123,759,866	*					123,759,866
State Investment Pool	4,125,036	*					4,125,036
Total	$ 433,131,491		$ 39,312,174	$ 182,640,041	$ 68,667,495	$ 12,876,879	$ 129,634,902

* Not required to be rated
** Exempt from disclosure

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The investment policy of ASCIP contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*, other than corporate issuers which is twenty-five percent (25 percent). GASB Statement No. 40 requires that investments in any one issuer (other than those explicitly guaranteed or issued by the U.S. government or those invested in mutual funds, external investment pools or other pooled investments) that represent 5% or more of total investments be disclosed. The table below identifies the investment at June 30, 2018 in a single issuer that represent 5% or more of ASCIP's total investments.

Issuer	2018
Federal National Mortgage Association	$ 47,548,768

Custodial Credit Risk

This is the risk that in the event of a bank failure, ASCIP's deposits may not be returned to it. ASCIP does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (the governmental unit may waive collateral for amounts covered by Federal deposit insurance). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, ASCIP's bank balance was insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of ASCIP.

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 — Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 — Inputs to the valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Uncategorized – Investments in the Los Angeles Treasury Investment Pool and the Local Agency Investment Fund are not measured using the input levels above because ASCIP's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

ASCIP's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Uncategorized
U.S. Treasury Obligations	$ 90,305,024	$ 90,305,024		
Negotiable Certificates of Deposit	59,427,664		$ 57,677,664	$ 1,750,000
U.S. Agencies Obligations	57,315,609		57,315,609	
Corporate Notes	53,389,228		53,389,228	
Supranational Obligations	27,453,067		27,453,067	
Mortgage- and Asset-Backed Securities	16,352,032		16,352,032	
Commercial Paper	1,003,965		1,003,965	
County Pool	123,759,866			123,759,866
State Investment Pool	4,125,036			4,125,036
Total	$ 433,131,491	$ 90,305,024	$ 213,191,565	$ 129,634,902

4. ACCOUNTS RECEIVABLE

Receivables at June 30, 2018, consist of the following:

	Property/ Liability Fund	Workers' Compensation Fund	Employee Benefit Fund	CIPA	Total
Accrued investment income	$ 1,037,958	$ 1,064,262	$ 345,696		$ 2,447,916
Excess insurance recoveries	3,736,417	17,818			3,754,235
Other accounts receivable	252,446	876,959	108,328	$ 1,462,425	2,700,158
Total	$ 5,026,821	$ 1,959,039	$ 454,024	$ 1,462,425	$ 8,902,309

5. CAPITAL ASSETS

A summary of fixed assets for the year ended June 30, 2018, consists of the following:

	Balance Beginning Of Year	Additions	Disposals	Balance End of Year
Land and buildings	$ 6,349,856			$ 6,349,856
Equipment	1,319,666	$ 216,382	$ (28,692)	1,507,356
Accumulated depreciation	(2,926,354)	(332,030)	27,489	(3,230,895)
Net Capital Assets	$ 4,743,168	$ (115,648)	$ (1,203)	$ 4,626,317

6. ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consist of the following:

	Property/ Liability Fund	Workers' Compensation Fund	Employee Benefit Fund	CIPA	Total
Salaries and benefits	$ 255,367	$ 81,892	$ 113,910		$ 451,169
Accrued vacation	225,008	72,565	96,544		394,117
Other services and operating expenses	738,840	252,661	8,062,526	$ 579,967	9,633,994
Due to members		391,098			391,098
Total	$ 1,219,215	$ 798,216	$ 8,272,980	$ 579,967	$ 10,870,378

7. ADVANCE SIR AND EXCESS INSURANCE PAYMENTS

ASCIP retains members' self-Insured retention (SIR) deposits and advance excess insurance carrier payments for known losses for its property and liability program. ASCIP retains these payments on behalf of its members' and excess insurance carriers until actual claims paid would deplete the deposits made. At June 30, 2018, ASCIP held a total of $300,446 in member SIR and excess insurance payment deposits.

8. UNEARNED PREMIUM REVENUES

Unearned premium revenues at June 30, 2018, consist of the following:

Employee Benefits Fund	$ 578
CIPA	1,604,392
Total	$ 1,604,970

9. PREMIUM DIVIDENDS

ASCIP is required by its bylaws to recalculate and adjust prior years' premium deposits at annual intervals until all claims are closed or until the Executive Committee determines that sufficient facts are known so that no additional calculations should be made. In 2018, retrospective adjustments for workers' compensation and employee benefit were $3,500,135 and $6,527,059, respectively. The adjustments were calculated related to workers' compensation for the seven years ended June 30, 2004 through June 30, 2010 and related to employee benefit for the four years ended June 30, 2011 through June 30, 2014.

10. LICENSING AGREEMENT OBLIGATION

ASCIP entered into software licensing agreements where the agreements stipulated that ASCIP would make installment payments over the terms of the agreements until the obligations have been fulfilled. At June 30, 2018, ASCIP outstanding licensing agreement obligation amounted to $93,600.

11. RISK MANAGEMENT DEPOSIT FUND

The Risk Management Deposit Fund (RMDF) was established to provide participating members with the option to defer receipt of distributions made by ASCIP. The deferred funds may be used to off-set future ASCIP premiums or other ASCIP-related risk management and safety expenses. Deferral requires both written authorization by the member's senior administrative official and approval by ASCIP's Executive Committee. ASCIP limits the total amount funds held in the RMDF to the member's total annual premiums from the prior year. ASCIP credits interest income to member funds held within the RMDF and provides members with quarterly statements. Withdrawal of RMDF funds requires written instructions from the senior administrator or their designee(s). As of June 30, 2018, ASCIP reported a total balance of $11,076,866 in its RMDF. This balance is classified under restricted cash and cash equivalent because of user limitation.

12. SAFETY CREDIT PAYABLE

The Safety Credit program was established by ASCIP to offer its members with the ability to utilize portions of their premiums set aside by ASCIP to finance flexible safety-oriented activities and programs conducted by the members. The Safety Credit program is administered by ASCIP as a reimbursement-basis program. Members are reimbursed upon the submission of adequate supporting documents. Annually, one percent of member premium contributions are set aside for the Safety Credit program for each member participating in ASCIP property/liability and workers' compensation insurance programs. Safety credits set aside by ASCIP are subject to three-years rolling expiration. A corresponding amount is included in restricted cash and cash equivalents since the credits can only be utilized by members and are not subject to use by ASCIP until expiration. As of June 30, 2018, ASCIP reported the following Safety Credit payable:

Property/Liability Fund	$ 655,404
Workers' Compensation Fund	443,095
Total	$ 1,098,499

13. UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

ASCIP establishes case reserves and incurred but not reported (IBNR) based on estimates of the ultimate cost of claims (including estimated expenses for investigating and settling claims) that have been reported but not settled, and of claims that have been incurred but not reported. ASCIP uses insurance agreements to reduce its exposure to large losses on property coverage. The insurance agreement discharges the primary liability of ASCIP as direct insurer of the risks insured above certain specified retentions.

The liability recorded for incurred losses is based on information obtained from independent actuarial reports. The supporting information provided by ASCIP relies on the continuance of certain historical trends and forecasts of future activities and conditions. Although management believes that the claims payable for losses and loss expenses at June 30, 2018, is adequate, the ultimate settlement of claims and related expenses may vary from the liability recorded.

14. RECONCILIATION OF UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

As discussed in Note 13, ASCIP establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for ASCIP during the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Unpaid claims at beginning of year	$ 206,679,612	$ 190,310,258
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	139,391,344	142,507,203
Decrease in provision for insured events of prior years	(10,333,043)	7,736,391
Total Incurred Claims and Claim Adjustment Expenses	129,058,301	150,243,594
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	83,347,312	83,241,705
Claims and claim adjustment expenses attributable to insured events of prior years	38,234,569	50,632,535
Total Payments	121,581,881	133,874,240
Total unpaid claims at end of year	214,156,032	206,679,612
Current portion	(71,976,960)	(71,720,293)
Non-current portion	$ 142,179,072	$ 134,959,319

15. EMPLOYEE RETIREMENT SYSTEM

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2018, ASCIP reported net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the plan as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalPERS	$ 1,967,870	$ 1,753,030	$ 442,658	$ 557,158

Plan Description

Qualified employees are eligible to participate in the Miscellaneous Employer Pool (MEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the annual actuarial valuation report, Risk Pool Actuarial Valuation Report, Section 2, Miscellaneous – June 30, 2017. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Employer Pool (CalPERS)	
Hire date	On or before	On or after
Benefit formula	December 31, 2012	January 1, 2013
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.25%
Required employer contribution rate	8.921%	6.533%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. ASCIP is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total ASCIP contributions were $463,742.

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

As of June 30, 2018, ASCIP reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $1,967,870. The net pension liability was measured as of June 30, 2017. ASCIP’s proportion of the net pension liability was based on a projection of ASCIPS's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Agency's, actuarially determined. ASCIP's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0499 percent and 0.0473 percent, resulting in a net increase in the proportionate share of 0.0026 percent.

For the year ended June 30, 2018, ASCIP recognized pension expense of $557,158. At June 30, 2018, ASCIP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 463,742	
Net change in proportionate share of net pension liability	318,390	$ 59,756
Differences between projected and actual earnings on pension plan investments	396,072	309,598
Difference between expected and actual experiences in the measurement of the total pension liability	3,082	44,149
Changes in assumptions	382,355	29,155
Changes in proportionate share of contributions	189,389	
Total	$ 1,753,030	$ 442,658

As of June 30, 2018, the $463,742 reported as deferred outflow of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflow/Inflow Resources
2019	$ 298,723
2020	375,220
2021	224,017
2022	(51,330)
Total	$ 846,630

Actuarial Methods and Assumptions

Total pension liability for the MEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return Years 1-10	Long-term Expected Real Rate of Return Years 11+
Global equity	47%	4.90%	5.38%
Fixed income	19%	0.80%	2.27%
Inflation assets	6%	0.60%	1.39%
Private equity	12%	6.60%	6.63%
Real estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability as of the June 30, 2017 measurement date was 7.15 percent. This differed from the discount rate used as of June 30, 2016 measurement date of 7.65 percent due to a decrease in the long-term expected rate of return. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Miscellaneous Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents ASCIP's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.15%)	$3,067,621
Current discount rate (7.15%)	1,967,870
1% increase (8.15%)	1,057,037

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by ASCIP. The Plan provides medical insurance benefits to eligible retirees and their spouses. As of June 30, 2018, ASCIP had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. During the year ended June 30, 2018 ASCIP paid benefits to retirees of $3,396.

Benefits Provided

Employees who retire from ASCIP may be eligible for post-employment medical benefits pursuant to the provisions below:

Eligibility	• Retire from active service • 10 years of service
Dependent Eligibility	Yes
Survivor Eligibility	No
Benefits	**All Employees** • Retirees age 55 with at least 10 years of service who retire from ASCIP are offered a lifetime subsidy to be applied for medical coverage. • Benefits are capped at $12,162 per year. • The cap to be used for medical coverage is based on the retiree's years of service at retirement. • A retiree with 10 years of service at retirement receives a lifetime subsidy of 15% of ASCIP cap for active employees at the time of their retirement. • For each additional year of service at retirement, a retiree receives an additional 1% of the cap. For example, a retiree with 25 years of service at retirement would receive 30% of the cap for active employees.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Active Participants	38
Retired Participants	1
Total	39

Total OPEB Liability

ASCIP's total OPEB liability of $388,840 was measured as of June 30, 2018, and was determined by an actuarial valuation dated June 30, 2018, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate [1]	2.98%
Inflation	2.75%
Salary Increases [2]	2.75%
Mortality [3]	CalPERS' Data
Retirement [3]	CalPERS' Data
Termination [3]	CalPERS' Data

[1] Based on the 20-year municipal bond yield as of the Measure Date. The discount rate changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.

[2] Since benefits do not depend on salary, using an aggregate payroll assumption for purposes of calculating the service costs results in negligible error.

[3] The mortality rate table, retirement rate table, and termination rate table used were developed based on CalPERS 2017 experience study.

Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (TOL)
Balance at June 30, 2017	$ 339,085
Changes recognized for the measurement period:	
Service cost	31,716
Interest cost	11,553
Changes of benefit terms	
Differences between expected and actual experience	(201)
Changes in assumptions	10,083
Actual benefit payments	(3,396)
Net changes	49,755
Balance at June 30, 2018	$ 388,840

Sensitivity of ASCIP's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of ASCIP, as well as what the total OPEB 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:

	Discount Rate –1% (1.98%)	Current Discount Rate (2.98%)	Discount Rate +1% (3.98%)
Total OPEB liability	$ 466,967	$ 388,840	$ 325,806

Sensitivity of ASCIP's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of ASCIP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1%	Health Care Trend Rate (1)	Discount Rate +1%
Total OPEB liability	N/A	$ 388,840	N/A

(1) Note that benefits provided are cash payments and therefore a healthcare cost trend does not directly apply.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average working lifetime (active and inactive participants) of plan participants

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2018, ASCIP recognized OPEB expense of $44,202. At June 30, 2018, ASCIP reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 182
Changes of assumptions	$ 9,131	
Total	$ 9,131	$ 182

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

Year Ended June 30,	Deferred Outflow/Inflow Resources
2019	$ 933
2020	933
2021	933
2022	933
2023	933
Thereafter	4,284

17. PARTICIPATION IN PUBLIC ENTITY RISK POOL

ASCIP's member agencies are members of the Schools Excess Liability Fund (SELF) public entity risk pool. Member agencies pay an annual premium to SELF for excess insurance coverage for liability claims from $5,000,001 to $55,000,000. The relationship between ASCIP and SELF is such that SELF is not a component unit of ASCIP for financial reporting purposes. The governing board consists of elected representative of the members by region.

SELF has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between SELF and ASCIP are included in these statements. The payments to SELF for the year ended June 30, 2018, were $6,741,361. Audited financial statements are available from SELF at their website, www.selfjpa.org.

18. CONTINGENCIES

ASCIP is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of ASCIP.

REQUIRED SUPPLEMENTARY INFORMATION

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
JUNE 30, 2018

	Property and Liabilty		Workers Compensation		Employee Benefits		CIPA		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	$ 111,638,642	$ 111,073,306	$ 85,457,624	$ 71,349,864	$ 6,752,088	$ 5,605,344	$ 2,831,258	$ 2,281,744	$ 206,679,612	$ 190,310,258
Incurred claims and claim adjustment expenses:										
Provision for insured events of the current fiscal year	35,218,567	34,968,501	21,251,036	22,044,656	82,203,819	84,614,740	717,922	879,306	139,391,344	142,507,203
Increase (Decrease) in provision for insured events of prior fiscal yrs	(2,028,064)	273,266	(9,078,813)	5,734,648	386,118	1,749,923	387,716	(21,446)	(10,333,043)	7,736,391
Total incurred claims and claim adjustment expenses	33,190,503	35,241,767	12,172,223	27,779,304	82,589,937	86,364,663	1,105,638	857,860	129,058,301	150,243,594
Payments:										
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	3,308,568	1,378,164	2,750,401	2,614,566	77,199,278	79,071,352	89,065	177,623	83,347,312	83,241,705
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	22,759,641	33,298,267	8,758,266	11,056,978	6,584,615	6,146,567	132,047	130,723	38,234,569	50,632,535
Total Payments	26,068,209	34,676,431	11,508,667	13,671,544	83,783,893	85,217,919	221,112	308,346	121,581,881	133,874,240
Total Unpaid claims and claim adjustment expenses at the end of the fiscal year	$ 118,760,936	$ 111,638,642	$ 86,121,180	$ 85,457,624	$ 5,558,132	$ 6,752,088	$ 3,715,784	$ 2,831,258	$ 214,156,032	$ 206,679,612

See accompanying note to required supplementary information

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2018

The following tables illustrate how ASCIP's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by ASCIP as of the end of each of the years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue, and reported investment revenue.
2. This line shows each fiscal year's other operating costs of ASCIP including overhead and claims expense not allocable to individual claims.
3. This line shows ASCIP's 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. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation result from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known).
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

PROPERTY AND LIABILITY PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Premiums and investment revenue:										
Earned	$ 59,155	$ 63,051	$ 61,583	$ 59,400	$ 58,514	$ 56,514	$ 56,671	$ 59,326	$ 58,378	$ 57,984
Ceded	(12,151)	(12,206)	(11,620)	(11,617)	(11,448)	(13,759)	(13,578)	(14,080)	(17,787)	(17,932)
Net earned	$ 47,004	$ 50,845	$ 49,963	$ 47,783	$ 47,066	$ 42,755	$ 43,093	$ 45,246	$ 40,591	$ 40,052
2. Unallocated expenses	$ 8,380	$ 8,673	$ 8,302	$ 8,893	$ 7,749	$ 5,898	$ 8,912	$ 8,432	$ 9,139	$ 10,041
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 32,408	$ 30,240	$ 29,431	$ 31,054	$ 50,221	$ 38,947	$ 31,380	$ 43,524	$ 39,887	$ 40,351
Ceded					(9,402)	(1,599)		(9,164)	(4,918)	(5,597)
Net incurred	$ 32,408	$ 30,240	$ 29,431	$ 31,054	$ 40,819	$ 37,348	$ 31,380	$ 34,360	$ 34,969	$ 34,754
4. Paid (cumulative) as of:										
End of policy year	$ 3,643	$ 2,664	$ 4,219	$ 3,415	$ 3,963	$ 3,393	$ 1,586	$ 2,673	$ 1,378	$ 3,309
One year later	$ 10,652	$ 9,007	$ 10,209	$ 11,646	$ 7,493	$ 7,429	$ 3,846	$ 9,193	$ 8,005	
Two years later	$ 20,599	$ 18,137	$ 28,000	$ 16,354	$ 17,984	$ 11,615	$ 13,624	$ 18,011		
Three years later	$ 27,161	$ 23,774	$ 32,663	$ 23,286	$ 24,598	$ 20,228	$ 18,656			
Four years later	$ 31,263	$ 26,602	$ 32,811	$ 26,461	$ 35,322	$ 23,907				
Five years later	$ 32,610	$ 28,751	$ 37,077	$ 36,101	$ 42,389					
Six years later	$ 31,384	$ 29,547	$ 42,802	$ 37,062						
Seven years later	$ 33,803	$ 32,557	$ 42,883							
Eight years later	$ 43,925	$ 32,591								
Nine years later	$ 44,249									
5. Reestimated ceded losses and expenses	$ (4,262)	$ (3,048)	$ (10,260)	$ (3,798)	$ 10,681	$ 10,654	$ 1,784	$ 11,802	$ 6,303	$ -
6. Reestimated incurred claims and expense:*										
End of policy year	$ 32,408	$ 30,240	$ 29,431	$ 31,054	$ 40,819	$ 37,348	$ 31,380	$ 34,360	$ 34,969	$ 34,754
One year later	$ 29,812	$ 31,630	$ 35,195	$ 33,302	$ 33,972	$ 30,298	$ 28,082	$ 31,206	$ 33,584	
Two years later	$ 30,909	$ 31,136	$ 42,040	$ 34,914	$ 33,611	$ 29,198	$ 29,866	$ 31,722		
Three years later	$ 30,669	$ 30,076	$ 41,600	$ 33,903	$ 38,819	$ 28,860	$ 29,596			
Four years later	$ 34,358	$ 31,558	$ 42,032	$ 34,219	$ 39,963	$ 28,293				
Five years later	$ 35,876	$ 32,957	$ 40,001	$ 34,791	$ 39,540					
Six years later	$ 35,198	$ 32,395	$ 39,430	$ 34,852						
Seven years later	$ 36,164	$ 33,165	$ 39,691							
Eight years later	$ 36,840	$ 33,288								
Nine years later	$ 36,670									
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ 4,262	$ 3,048	$ 10,260	$ 3,798	$ (1,279)	$ (9,055)	$ (1,784)	$ (2,638)	$ (1,385)	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

WORKERS' COMPENSATION PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Premiums and investment revenue:										
Earned	$ 19,671	$ 24,208	$ 25,343	$ 26,101	$ 27,774	$ 28,903	$ 34,771	$ 38,103	$ 33,770	$ 31,528
Ceded	(9,146)	(14,688)	(16,721)	(16,787)	(1,321)	(1,397)	(1,399)	(1,558)	(1,595)	(1,601)
Net earned	$ 10,525	$ 9,520	$ 8,622	$ 9,314	$ 26,453	$ 27,506	$ 33,372	$ 36,545	$ 32,175	$ 29,927
2. Unallocated expenses	$ 3,019	$ 3,201	$ 3,619	$ 4,010	$ 5,304	$ 9,853	$ 6,127	$ 5,350	$ 9,139	$ 6,341
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 683				$ 25,718	$ 30,055	$ 32,989	$ 31,464	$ 32,947	$ 32,273
Ceded					(2,385)	(9,296)	(9,957)	(9,370)	(10,903)	(11,497)
Net incurred	$ 683	$ -	$ -	$ -	$ 23,333	$ 20,759	$ 23,032	$ 22,094	$ 22,044	$ 20,776
4. Paid (cumulative) as of:										
End of policy year	$ -	$ -	$ -	$ -	$ 2,450	$ 2,445	$ 2,982	$ 2,981	$ 2,615	$ 2,750
One year later	$ -	$ -	$ -	$ -	$ 5,008	$ 5,029	$ 5,880	$ 6,432	$ 6,076	
Two years later	$ -	$ -	$ -	$ -	$ 7,085	$ 7,020	$ 7,797	$ 8,692		
Three years later	$ -	$ -	$ -	$ -	$ 9,398	$ 8,287	$ 9,004			
Four years later	$ -	$ -	$ -	$ -	$ 10,706	$ 8,926				
Five years later	$ 135	$ -	$ -	$ -	$ 11,493					
Six years later	$ 210	$ -	$ -	$ -						
Seven years later	$ 292	$ -	$ -							
Eight years later	$ 403	$ -								
Nine years later	$ 498									
5. Reestimated ceded losses and expenses	$ (406)	$ -	$ -	$ -	$ 7,866	$ 14,499	$ 14,818	$ 9,946	$ 12,509	$ -
6. Reestimated incurred claims and expense:										
End of policy year	$ 683	$ -	$ -	$ -	$ 23,333	$ 20,759	$ 23,032	$ 22,094	$ 22,044	$ 20,776
One year later	$ 795	$ -	$ -	$ -	$ 18,451	$ 17,685	$ 20,920	$ 23,614	$ 20,438	
Two years later	$ 719	$ -	$ -	$ -	$ 19,721	$ 18,706	$ 21,113	$ 21,518		
Three years later	$ -	$ -	$ -	$ -	$ 19,267	$ 17,138	$ 18,171			
Four years later	$ -	$ -	$ -	$ -	$ 18,553	$ 15,556				
Five years later	$ 667	$ -	$ -	$ -	$ 17,852					
Six years later	$ 760	$ -	$ -	$ -						
Seven years later	$ 1,051	$ -	$ -							
Eight years later	$ 1,005	$ -								
Nine years later	$ 1,089	$ -								
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ 406	$ -	$ -	$ -	$ (5,481)	$ (5,203)	$ (4,861)	$ (576)	$ (1,606)	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

EMPLOYEE BENEFITS PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2018

	2015	2016	2017	2018
1. Premiums and investment revenue:				
Earned	$ 135,613	$ 172,556	$ 173,474	$ 159,828
Ceded	(3,120)	(5,740)	(6,097)	(5,630)
Net earned	$ 132,493	$ 166,816	$ 167,377	$ 154,198
2. Unallocated expenses	$ 6,134	$ 7,764	$ 7,077	$ 7,007
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	$ 49,376	$ 76,957	$ 84,615	$ 82,304
Ceded				
Net incurred	$ 49,376	$ 76,957	$ 84,615	$ 82,304
4. Paid (cumulative) as of:				
End of policy year	$ 49,943	$ 72,487	$ 79,071	$ 77,199
One year later	$ 56,606	$ 76,304	$ 86,679	
Two years later	$ 56,607	$ 76,304		
Three years later	$ 56,607			
5. Reestimated ceded losses and expenses				
6. Reestimated incurred claims and expense:				
End of policy year	$ 89,722	$ 76,957	$ 84,615	$ 82,304
One year later	$ 56,607	$ 76,338	$ 86,702	
Two years later	$ 56,670	$ 76,304		
Three years later	$ 56,607			
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ 7,231	$ (653)	$ 2,087	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

OCIP PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Premiums and investment revenue:										
Earned	$ 3,049	$ 3,130	$ 4,504	$ 3,204	$ 2,113	$ 2,504	$ 1,653	$ 1,786	$ 1,661	$ 2,008
Ceded	(598)	(1,778)	(1,179)	(1,422)	(152)	(965)	(505)	(496)	(465)	(536)
Net earned	$ 2,451	$ 1,352	$ 3,325	$ 1,782	$ 1,961	$ 1,539	$ 1,148	$ 1,290	$ 1,196	$ 1,472
2. Unallocated expenses	$ 714	$ 720	$ 1,029	$ 329	$ 686	$ 675	$ 305	$ 473	$ 515	$ 711
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 858	$ 563	$ 1,690	$ 672	$ 408	$ 670	$ 521	$ 504	$ 620	$ 456
Ceded										
Net incurred	$ 858	$ 563	$ 1,690	$ 672	$ 408	$ 670	$ 521	$ 504	$ 620	$ 456
4. Paid (cumulative) as of:										
End of policy year	$ 166	$ 52	$ 233	$ 108	$ 120	$ 19	$ 39	$ 8	$ 84	$ 4
One year later	$ 351	$ 179	$ 867	$ 377	$ 349	$ 21	$ 160	$ 47	$ 176	
Two years later	$ 487	$ 255	$ 1,242	$ 411	$ 406	$ 22	$ 226	$ 79		
Three years later	$ 683	$ 371	$ 1,780	$ 459	$ 428	$ 23	$ 239			
Four years later	$ 834	$ 515	$ 2,189	$ 1,278	$ 449	$ 26				
Five years later	$ 899	$ 533	$ 2,964	$ 1,286	$ 454					
Six years later	$ 933	$ 607	$ 3,595	$ 1,295						
Seven years later	$ 1,063	$ 515	$ 5,697							
Eight years later	$ 1,099	$ 534								
Nine years later	$ 1,108									
5. Reestimated ceded losses and expenses	$ 5	$ 28	$ 3,741	$ 319	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated incurred claims and expense:										
End of policy year	$ 369	$ 119	$ 1,297	$ 290	$ 408	$ 670	$ 521	$ 504	$ 620	$ 456
One year later	$ 446	$ 294	$ 1,943	$ 432	$ 848	$ 372	$ 502	$ 442	$ 555	
Two years later	$ 604	$ 375	$ 2,329	$ 758	$ 747	$ 231	$ 437	$ 915		
Three years later	$ 775	$ 529	$ 3,585	$ 1,565	$ 644	$ 139	$ 432			
Four years later	$ 908	$ 660	$ 3,599	$ 1,376	$ 636	$ 134				
Five years later	$ 1,086	$ 684	$ 4,374	$ 1,361	$ 568					
Six years later	$ 1,107	$ 786	$ 4,489	$ 1,073						
Seven years later	$ 1,213	$ 829	$ 3,157							
Eight years later	$ 1,200	$ 794								
Nine years later	$ 1,234									
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ 376	$ 231	$ 1,467	$ 401	$ 160	$ (536)	$ (89)	$ 411	$ (65)	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STUDENT ACCIDENT PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2018

	2017	2018
1. Premiums and investment revenue:		
Earned	$ 794	$ 613
Ceded		
Net earned	$ 794	$ 613
2. Unallocated expenses	$ 56	$ 73
3. Estimated incurred claims and expenses, end of policy year:		
Incurred	$ 198	$ 174
Ceded		
Net incurred	$ 198	$ 174
4. Paid (cumulative) as of:		
End of policy year	$ 35	$ 39
One year later	$ 70	
5. Reestimated ceded losses and expenses		
6. Reestimated incurred claims and expense:		
End of policy year	$ 198	$ 174
One year later	$ 75	
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ (123)	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

SCHEDULE OF CHANGES IN ASCIP'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIOD ENDED JUNE 30, LAST 10 YEARS*

		2018
TOTAL OPEB LIABILITY		
Service cost	$	31,716
Interest		11,553
Changes in benefit terms		
Differences between expected and actual experience		(201)
Changes of assumptions		10,083
Benefit payments		(3,396)
NET CHANGE IN TOTAL OPEB LIABILITY		49,755
TOTAL OPEB LIABILITY, Beginning		339,085
TOTAL OPEB LIABILITY, Ending	$	388,840
Covered-employee payroll	$	4,558,579
ASCIP's total OPEB liability as a percentage of covered-employee payroll		9%

Notes to Schedule:
The discount rate changed from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.
No assets accumulated in trust.

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

SCHEDULE OF ASCIP'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2018 LAST 10 YEARS*

	Measurement Date June 30			
	2017	**2016**	**2015**	**2014**
ASCIP's proportion of the net pension liability	0.0499%	0.0473%	0.0457%	0.0201%
ASCIP's proportionate share of the net pension liability	$ 1,967,870	$ 1,643,087	$ 1,252,869	$ 1,224,143
ASCIP's covered-employee payroll	$ 4,137,910	$ 3,269,226	$ 2,912,480	$ 2,520,782
ASCIP's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.56%	50.26%	43.02%	48.56%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	76.00%	81.00%	81.00%

Notes to Schedule:

Change in benefit terms. In 2018 there were no changes to benefit terms.

Changes in assumptions. In 2018 (measurement period ending June 30, 2017), the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%.

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

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

SCHEDULE OF ASCIP'S CONTRIBUTIONS
AS OF JUNE 30, 2018
LAST 10 YEARS*

	Fiscal Year			
	2018	**2017**	**2016**	**2015**
Contractually required contribution	$ 456,855	$ 411,681	$ 338,763	$ 354,308
Contributions in relation to the contractually required contributions	(456,855)	(411,681)	(338,763)	(354,308)
Contribution deficiency (excess)	$	$	$	$
ASCIP's covered-employee payroll	$ 4,558,579	$ 4,137,910	$ 3,269,226	$ 2,912,480
Contributions as a percentage of covered-employee payroll	10.02%	9.95%	10.36%	12.17%

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

1. PURPOSE OF SCHEDULES

Reconciliation of Claims Liability by Type of Contract

This schedule presents information on how ASCIP establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses.

Claims Development Information

This schedule presents information on how ASCIP's insurance funds illustrates how earned revenues and investment income compare to related costs of loss and other expenses assumed by the insurance fund as of the end of each of the last ten years.

Schedule of Change in ASCIP's Total OPEB Liability and Related Ratios

This schedule presents information on ASCIP's total OPEB liability and related ratios. In the future, as data becomes available, ten years of information will be presented.

Schedule of ASCIP's Proportionate Share of the Net Pension Liability

This schedule presents information on ASCIP's proportionate share of the net pension liability (NPL), the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Schedule of ASCIP's Contributions

This schedule presents information on ASCIP's required contributions, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:	Property and Liability	Workers' Compensation	Employee Benefits	CIPA	Total
Current assets:					
Cash and cash equivalents	$ 6,689,725	$ 43,618,253	$ 66,822,439	$ 254,573	$ 117,384,990
Restricted cash and cash equivalents	8,925,042	3,295,485			12,220,527
Receivables	5,026,821	1,959,039	454,024	1,462,425	8,902,309
Prepaid expenses and other assets	247,454			1,389,824	1,637,278
Investments maturing within one year	13,064,455	13,011,505		4,084,015	30,159,975
Restricted investments maturing within one year	4,983,200			1,750,000	6,733,200
Due from/due to other funds	(131,329)	131,329			
Total current assets	38,805,368	62,015,611	67,276,463	8,940,837	177,038,279
Noncurrent assets:					
Investments, net of amount maturing within one year	138,272,457	129,802,527		278,430	268,353,414
Deposits			4,650,000		4,650,000
Capital assets, net	4,626,317				4,626,317
Total noncurrent assets	142,898,774	129,802,527	4,650,000	278,430	277,629,731
Total assets	181,704,142	191,818,138	71,926,463	9,219,267	454,668,010
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflows of resources for pension	932,315	324,143	496,572		1,753,030
Deferred outflows of resources for OPEB	5,213	1,681	2,236		9,130
Total deferred outflows of resources	937,528	325,824	498,808		1,762,160
LIABILITIES:					
Current liabilities:					
Accounts payable	1,219,216	798,216	8,272,980	579,966	10,870,378
Advance SIR & excess insurance payments	300,446				300,446
Unearned premium revenues			578	1,604,392	1,604,970
Premium dividend payable		3,500,135	6,527,059		10,027,194
Licensing agreement obligation	93,600				93,600
Risk management deposit fund	8,224,476	2,852,390			11,076,866
Safety credit payable	655,404	443,095			1,098,499
Current portion of unpaid claims	37,000,000	11,700,000	5,127,639	378,000	54,205,639
Unallocated claims adjustment expense (ULAE)	5,109,162	11,928,855	430,493	302,811	17,771,321
Total current liabilities	52,602,304	31,222,691	20,358,749	2,865,169	107,048,913
Noncurrent liabilities:					
Unpaid claims and claim adjustment expenses, net of current portion	76,651,774	62,492,326		3,034,972	142,179,072
Net pension liability	986,833	384,388	596,649		1,967,870
Total OPEB liability	221,994	71,595	95,251		388,840
Total noncurrent liabilities	77,860,601	62,948,309	691,900	3,034,972	144,535,782
Total liabilities	130,462,905	94,171,000	21,050,649	5,900,141	251,584,695
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources for pension	194,551	88,050	160,057		442,658
Deferred inflows of resources for OPEB	104	34	44		182
Total deferred inflows of resources	194,655	88,084	160,101		442,840
NET POSITION:					
Invested in capital assets	4,626,317				4,626,317
Restricted	5,028,362			1,750,000	6,778,362
Unrestricted	42,329,431	97,884,878	51,214,521	1,569,126	192,997,956
Total net position	$ 51,984,110	$ 97,884,878	$ 51,214,521	$ 3,319,126	$ 204,402,635

See accompanying note to supplementary information.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2018

	Property and Liability	Workers' Compensation	Employee Benefits	CIPA	Total
OPERATING REVENUES:					
Premium deposits from members	$ 56,818,429	$ 34,503,969	$ 165,424,069	$ 2,561,516	$ 259,307,983
Other income	720,253	652	823		721,728
Total operating revenues	57,538,682	34,504,621	165,424,892	2,561,516	260,029,711
OPERATING EXPENSES:					
Claims expense, net of reimbursements of $11,715,821	26,068,207	11,508,666	83,783,893	308,668	121,669,434
Provision for IBNR and case reserves	6,657,362	188,423	(1,094,272)	796,970	6,548,483
Provision for ULAE reserves	464,934	475,134	(99,684)		840,384
Excess/reinsurance premiums	17,932,209	1,600,612	5,630,031	576,377	25,739,229
Health benefits insurance premiums			63,200,987	55,285	63,256,272
Contract services	1,672,933	2,739,832	4,868,372	731,181	10,012,318
Loss control and risk management	3,234,730	1,029,068	198,824		4,462,622
Premium dividends		3,500,135	6,527,059		10,027,194
General and administrative	4,668,842	2,097,184	2,039,125	186,081	8,991,232
Total operating expenses	60,699,217	23,139,054	165,054,335	2,654,562	251,547,168
Operating income (loss)	(3,160,535)	11,365,567	370,557	(93,046)	8,482,543
NON-OPERATING REVENUES (EXPENSES):					
Interest and dividend income	3,520,728	3,454,351	930,162	82,370	7,987,611
Net unrealized gain (loss) on investments	(3,075,719)	(2,930,575)		(23,283)	(6,029,577)
Total non-operating income	445,009	523,776	930,162	59,087	1,958,034
Increase (decrease) in net position	(2,715,526)	11,889,343	1,300,719	(33,959)	10,440,577
Net position, beginning of year, as previously reported	54,809,101	86,021,847	49,931,579	3,353,085	194,115,612
Cumulative effect of adoption of new accounting standard	(109,465)	(26,312)	(17,777)		(153,554)
Net position, beginning of year, as restated	54,699,636	85,995,535	49,913,802	3,353,085	193,962,058
Net position, end of year	$ 51,984,110	$ 97,884,878	$ 51,214,521	$ 3,319,126	$ 204,402,635

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	Property and Liability	Workers' Compensation	Employee Benefits	CIPA	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from premium contributions and other income	$ 57,617,326	$ 34,762,778	$ 165,476,565	$ 1,652,987	$ 259,509,656
Cash paid for claims	(26,068,209)	(11,508,666)	(83,783,893)	(221,113)	(121,581,881)
Cash paid to benefits, insurance, and other expenses	(27,912,333)	(10,873,525)	(71,414,321)	(1,692,415)	(111,892,594)
Cash paid to employees	(3,405,542)	(1,063,071)	(1,377,319)		(5,845,932)
Cash paid to pension plan and retirees	(235,711)	(75,889)	(111,334)		(422,934)
Net cash provided (used) by operating activities	(4,469)	11,241,627	8,789,698	(260,541)	19,766,315
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(216,382)				(216,382)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(107,593,734)	(121,416,875)		(6,240,222)	(235,250,831)
Proceeds from sale or maturity of investments	104,996,151	109,131,914		5,817,295	219,945,360
Interest and investment income received	3,315,224	3,221,928	857,605	74,562	7,469,319
Net cash provided (used) by investing activities	717,641	(9,063,033)	857,605	(348,365)	(7,836,152)
Net increase (decrease) in cash and cash equivalents	496,790	2,178,594	9,647,303	(608,906)	11,713,781
Cash and cash equivalents, beginning of year	14,986,648	44,866,473	57,175,136	863,479	117,891,736
Cash and cash equivalents, end of year	$ 15,614,767	$ 46,913,738	$ 66,822,439	$ 254,573	$ 129,605,517
RECONCILIATION TO STATEMENT OF NET POSITION					
Cash and Cash Equivalents	$ 6,689,725	$ 43,618,253	$ 66,822,439	$ 254,573	$ 117,384,990
Restricted Cash and Cash Equivalents	8,925,042	3,295,485			12,220,527
Cash and cash equivalents, end of year	$ 15,614,767	$ 46,913,738	$ 66,822,439	$ 254,573	$ 129,605,517
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	$ (3,160,535)	$ 11,365,567	$ 370,557	$ (93,046)	$ 8,482,543
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Loss on disposal of capital assets	1,203				1,203
Depreciation expense	332,030				332,030
(Increase) decrease in:					
Receivables	77,441	258,157	51,673	(908,529)	(521,258)
Prepaid expenses and other assets and deposits	14,487			34,246	48,733
Deferred outflows of resources	(41,980)	(18,407)	(18,185)		(78,572)
Increase (decrease) in:					
Accounts payable and other liabilities	(3,329,640)	(5,994)	9,524,769	87,736	6,276,871
Unearned premium revenues				(265,473)	(265,473)
Risk management deposit fund	(1,139,239)	(1,059,739)			(2,198,978)
Unpaid claims and claim adjustment	7,122,294	663,557	(1,193,956)	884,525	7,476,420
Net pension liability	181,398	58,412	84,973		324,783
Total OPEB liability	28,407	9,161	12,188		49,756
Deferred inflows of resources	(90,335)	(29,087)	(42,321)		(161,743)
Net cash provided (used) by operating activities	$ (4,469)	$ 11,241,627	$ 8,789,698	$ (260,541)	$ 19,766,315
NONCASH INVESTING ACTIVITIES					
Net increase (decrease) in fair value of investments	$ (478,136)	$ 9,354,386	$	$ 407,452	$ 9,283,702

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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1. PURPOSE OF SCHEDULES

Combining - Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

The Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, and Combining Statement of Cash Flows are included to provide information regarding the programs that have been included in the insurance funds column on the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

INDEPENDENT AUDITOR'S REPORT

Gilbert Associates, Inc.
CPAs and Advisors
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Governing Board
Alliance of Schools for Cooperative Insurance Programs
Cerritos, 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 Alliance of Schools for Cooperative Insurance Programs (ASCIP), which comprise the statement of net position as of June 30, 2018, and the related statement of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2018. The financial statements of Captive Insurance for Public Agencies Limited were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASCIP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASCIP's internal control. Accordingly, we do not express an opinion on the effectiveness of ASCIP'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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASCIP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 27, 2018