ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2019

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

JUNE 30, 2019

EXECUTIVE COMMITTEE

REPRESENTATIVE	CATEGORY	OFFICE HELD
Ms. Corinne Kelsch	Joint Powers Authority	President
Dr. Keith Butler	K12, ADA of <15,000	Vice President
Ms. Susan Hume	K12, ADA of <15,000	Treasurer
Ms. Teresa Dreyfuss	Community College Districts	Member
Mr. Phil Hillman	K-8 Member Districts	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
Ms. Andrea Reynolds	K-8 Member Districts	Member
Ms. Cheryl Sullivan	Joint Powers Authority	Member
Ms. Irene Sumida	Charter Public Schools	Member
Ms. Yumi Takahashi	K12, ADA of >15,000	Member
Mr. Fred Williams	Community College Districts	Member
Mr. Cameron Abbott	Community College Districts	Alternate
Ms. Lydia Cano	K12, ADA of <15,000	Alternate
Mr. Tim Corcoran	Community College Districts	Alternate
Mr. Clark Hampton	K12, ADA of >15,000	Alternate
Mr. Peter Hardash	Community College Districts	Alternate
Ms. Karen Kimmel	K12, ADA of <15,000	Alternate
Mr. Robert McEntire	K12, ADA of <15,000	Alternate
Dr. Monica Oviedo	K12, ADA of <15,000	Alternate
Mr. Dean West	K12, ADA of <15,000	Alternate

ADMINISTRATION

Mr. Fritz J. Heirich	Chief Executive Officer
Mr. Jeff Grubbs	Chief Operations / Financial Officer
Mr. Stephan Birgel	Chief Claims Officer, Property & Liability
Mr. Dan Sanger	Executive Director of Health Benefits
Ms. Lynn Truong	Senior Director of Finance
Ms. Nancy Anderson	Senior Director of Member Services
Ms. Nidra Kumaradas	Senior Director of Workers' Compensation
Mr. Reshan Cooray	Senior Director of Risk Control Services
Ms. Felicia Williams	Board Clerk

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

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JUNE 30, 2019

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, 2019, 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 $22,248,602 as of June 30, 2019 and total revenues of $4,891,494 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, 2019, 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.

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 and the "Memo only" column in the basic financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are 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 20, 2019, 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 CPAs

GILBERT CPAs
Sacramento, California

November 20, 2019

The following Management's Discussion and Analysis (MD&A) provides an overview of ASCIP's financial position and activities for the fiscal year ended June 30, 2019. The MD&A should be read in conjunction with the financial statements and accompanying notes which follow this section.

Overview of ASCIP

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 health 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 risk management services, including safety and loss control, health and wellness, claims and litigation management to prevent and mitigate losses, which are all inclusive in the program costs. ASCIP also offers other products, including an 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 its members' needs.

In 2004 ASCIP's 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 Limited (CIPA) in the State of Hawaii and began to operate the OCIP through CIPA.

In 2006 the Executive Committee established a health benefits program for its membership by approving the merger of Los Angeles Regionalized Insurance Services Authority (LARISA) and ASCIP. Initially ASCIP offered self-funded dental and vision programs to its membership. As a result of the success of these programs, ASCIP launched its self-funded PPO medical program in 2008.

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

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 School District JPAs. 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 and alternates are appointed by the elected Executive Committee. The Executive Committee is responsible for providing overall leadership to the JPA, including the development of long-range goals and policies to guide and direct the organization's staff.

ASCIP's day-to-day operations are administered by an in-house staff of approximately forty-five, including a Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, Chief Claims Officer, Executive Director of Health Benefits, Senior Director of Finance, Senior Director of Member Services, Senior Director of Workers' Compensation, Senior Director of Risk Services, Director of Member Education and Training, Director of Property & Liability, Information Technology Manager, and various support staff.

Description of the Basic Financial Statements

ASCIP's financial statements are prepared in conformity with generally accepted accounting principles in the United States of America. The Statement of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows are included along with the 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, and Health 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 Health 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. The assets, deferred outflows, liabilities, deferred inflows, revenues and expenses for the three funds are reported on a full accrual basis. CIPA's financial statements are included in ASCIP's financial statements as a component unit of ASCIP. CIPA's financial statements reflect the revenues, expenditures, assets and liabilities of the OCIP, the Student Accident, and Pupil Transportation programs.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

CONDENSED STATEMENT OF NET POSITION

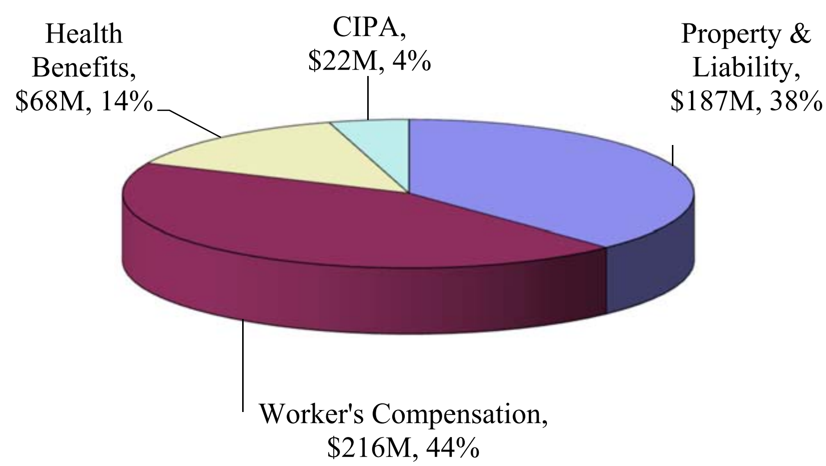
	2018-19	2017-18
ASSETS:		
Current assets	$ 220,567,698	$ 177,038,279
Noncurrent assets	268,588,039	273,003,414
Capital assets, net	4,537,851	4,626,317
Total Assets	493,693,588	454,668,010
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources for pension	1,516,965	1,753,030
Deferred outflows of resources for OPEB	22,237	9,130
	1,539,202	1,762,160
LIABILITIES:		
Current liabilities	113,093,590	107,048,913
Unpaid claims and claims adjustment expense, net of current portion	178,187,482	142,179,072
Net OPEB liability	442,816	388,840
Net pension liability	1,869,795	1,967,870
Total Liabilities	293,593,683	251,584,695
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources for pension	277,499	442,658
Deferred inflows of resources for OPEB	163	182
	277,662	442,840
NET POSITION:		
Invested in capital assets, net	4,537,851	4,626,317
Net position, restricted	7,585,129	6,778,362
Net position, unrestricted	189,238,465	192,997,956
Total Net Position	$ 201,361,445	$ 204,402,635

Assets

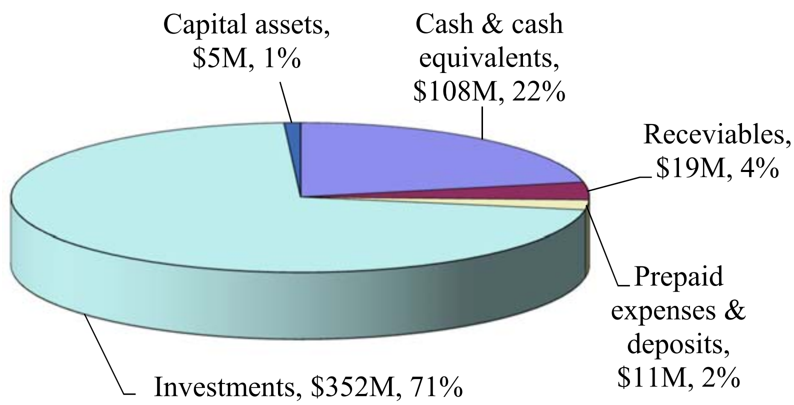
Total assets and deferred outflows increased by $39.0 million from $454.7 million as of June 30, 2018 to $493.7 million as of June 30, 2019. The increase in accounts receivable and investments contributed to the majority of the increase in total assets. The biggest portion of the accounts receivable balance is made up of the excess and reinsurance recovery which was the driver of the increase in accounts receivable. When making settlement payments, ASCIP usually pays the claims in excess of its retention and seeks reimbursement from the excess and reinsurance carriers. As of June 30, 2019, there was $11.3 million in excess and reinsurance recoveries receivable.

ASCIP invests those funds not immediately necessary for claims payments in long-term securities in order to optimize the rate of return. ASCIP's investments are managed by Public Financial Management (PFM) and are held in a custodial account with Bank of New York. The managed portfolio consists of fixed income securities purchased and held in accordance with the ASCIP's investment policy and the California Government Code. As of June 30, 2019, ASCIP's investments have a total fair market value of $352.0 million, an increase of $46.8 million from the prior fiscal year. This increase was driven by $32.4 million transfer of cash to purchase long-term investments, $7.4 in unrealized gains, and $7.0 million in interest earnings.

Total Assets by Program at June 30, 2019



Total Assets by Types at June 30, 2019



Liabilities

Total liabilities increased by $42.0 million, primarily due to the increase in outstanding claim liabilities by $28.3 million, unearned premiums by $10.2 million and premium dividends by $3.6 million.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

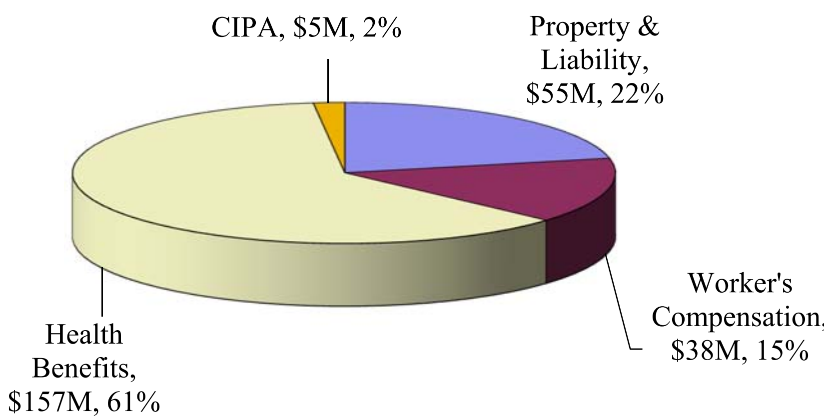
	2018-19	2017-18
OPERATING REVENUE:		
Member contributions	$ 254,248,987	$ 252,566,620
Other income	677,756	721,728
Total Operating Revenue	254,926,743	253,288,348
OPERATING EXPENSES:		
Provision for claims and claim adjustment expense	155,691,820	129,058,301
Excess/reinsurance premiums	19,535,330	18,997,866
Health Benefits Insurance premiums	62,157,909	63,256,272
Contract services	14,690,044	14,399,276
General administrative expenses	9,204,471	8,826,759
Dividend expense	13,547,632	10,027,194
Total Operating Expenses	274,827,206	244,565,668
NON-OPERATING REVENUE:		
Interest and dividend income, net of fees	9,442,383	7,747,474
Net increase (decrease) in fair value of investments	7,416,890	(6,029,577)
Total Nonoperating Revenue	16,859,273	1,717,897
Change in Net Position	(3,041,190)	10,440,577
Total Net Position, Beginning of Year, as previously reported	204,402,635	194,115,612
Cumulative effect of adoption of new accounting standard	-	(153,554)
Total Net Position, Beginning of Year, as Restated	204,402,635	193,962,058
Total Net Position, End of Year	$ 201,361,445	$ 204,402,635

Revenues

Total premium revenues were approximately $255.0 million, an increase of 1% from the previous year or $1.6 million. This overall premium increase was the net of premium increases in the Property & Liability program, the Workers' Compensation Program, CIPA and a premium decrease in the Health benefits program. The Property & Liability program, the Workers' Compensation program and CIPA had a premium increase of $4.5 million, $3.9 million and $2.1 million, respectively, whereas, the Health benefits program had a decrease in premium revenues of $8.9 million.

Investment income increased by approximately $1.5 million or 18% due primarily to a higher investment balance and a change in market conditions. ASCIP's investments ended the year with an unrealized gain of $7.4 million due to a decrease in market interest rates, compared to an unrealized loss of $6.0 million in the previous year.

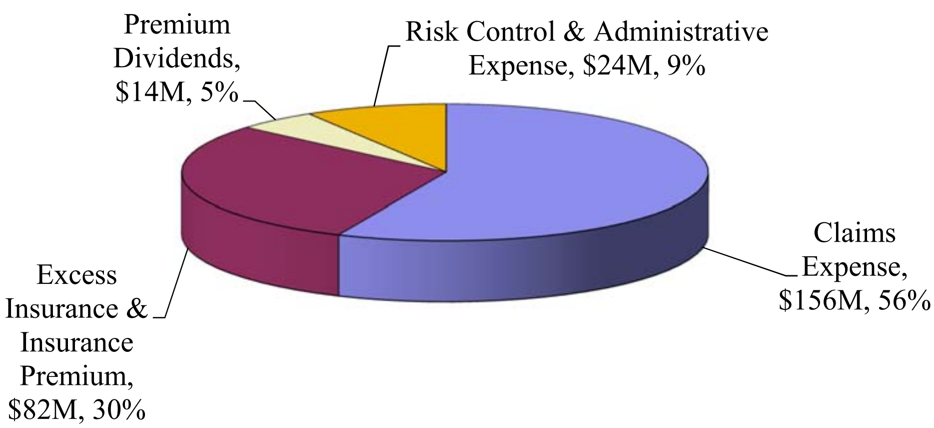
Premium Revenues by Program for the Year Ended June 30, 2019



Expenses

Total expenses were $274.8 million, an increase of $30.3 million or 12% from the prior year. This was mostly due to the increase in the provision for case reserves and the incurred but not reported claims (IBNR) which increased by $26.6 million, predominantly in the Property & Liability and Workers' Compensation programs. Another driver of the overall increase was the increase in premium dividend expense which increased by $3.5 million.

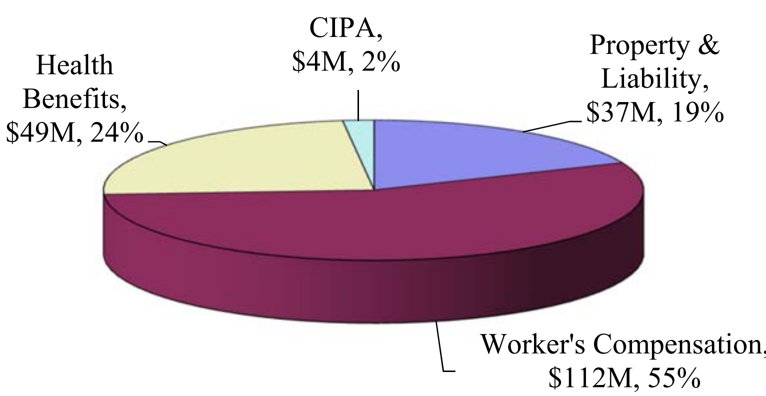
Breakdown of Expenses for the Year Ended June 30, 2019



Net Position

ASCIP ended the year with a net position of $201.4 million, a decrease of $3.0 million from the prior year. The decrease was mainly due to the decrease in the Property & Liability program's net position of $16.8 million, offset by an increase in the Workers' Compensation program's net position of $13.7 million. ASCIP issued $13.5 million in dividends to its members. Prior to this, ASCIP posted a net overall surplus of $10.5 million.

Net Position by Program at June 30, 2019



ASCIP 2018-19 Operating Budget

Each year, ASCIP's Executive Committee adopts a budget which serves as a blueprint for the Executive Committee to achieve its objective of providing the highest quality products and services to its members. It is designed as a tool for financial planning, control, and evaluation of pool performance in the coming year. The budget incorporates various fiscal and economic assumptions and factors such as insurance market trends, level of reinsurance coverage, claims trends and developments, investment performance and administrative costs.

	Budget	Actual	$ Variance	% Variance
OPERATING REVENUES:				
Premium deposits from members	$ 250,392,200	$ 254,248,987	$ 3,856,787	2%
Other income	638,500	677,756	39,256	6%
Total Operating Revenues	**251,030,700**	**254,926,743**	**3,896,043**	**2%**
OPERATING EXPENSES:				
Claims expense	129,782,100	126,551,107	(3,230,993)	-2%
Provision for IBNR and case reserves	19,500,000	28,267,195	8,767,195	45%
Provision for ULAE reserves	1,500,000	873,518	(626,482)	-42%
Excess/resinsurance premiums	20,124,700	19,535,330	(589,370)	-3%
Health benefits insurance premiums	60,570,700	62,157,909	1,587,209	3%
Contract services	11,388,600	10,523,129	(865,471)	-8%
Loss control and risk management services	5,232,500	4,166,915	(1,065,585)	-20%
General and administrative	9,929,000	9,204,471	(724,529)	-7%
Premium dividends	-	13,547,632	13,547,632	N/C
Total Operating Expenses	**258,027,600**	**274,827,206**	**16,799,606**	**7%**
Operating income (loss)	**(6,996,900)**	**(19,900,463)**	**(12,903,563)**	**184%**
NON-OPERATING REVENUES (EXPENSES)				
Interest and dividend income, net of fees	7,167,200	9,442,383	2,275,183	32%
Net unrealized gain (loss) on investments	-	7,416,890	7,416,890	N/C
Total Non-Operating Income	7,167,200	16,859,273	9,692,073	**135%**
Increase (decrease) in net position	170,300	(3,041,190)	(3,211,490)	-1886%
Net position, beginning of year	187,402,200	204,402,635	17,000,435	9%
Net position, end of year	**$ 187,572,500**	**$ 201,361,445**	**$ 13,788,945**	**7%**
Capital Outlay:	**$ 255,000**	**$ 242,914**	**$ (12,086)**	

Commentary On Budget Variances

Actual premium deposits from members were $3.8 million or 2% higher than the budget mainly due to higher Health Benefits program premiums collected as a result of much higher rate increases in one of the medical plans than projected.

Interest income earned was $2.3 million or 32% higher than the budgeted amount due to higher interest rates and investment balance than estimated.

Other income was higher than the budgeted amount due to the launching of the Master Builder Risk program mid-year.

Actual claims expense was approximately $3.2 million or 2% less than budgeted due to lower claims payments in the Worker's Compensation and Health Benefits programs than were anticipated.

Provision for IBNR and case reserves was much higher than budgeted primarily due to a significant increase in case reserves in the Property and Liability program.

Actual Health Benefits premium paid to carriers were higher than budgeted by approximately $1.6 million primarily due to the increase in one of the medical plan renewal rates.

Contract services came in $865 thousand lower than budgeted mainly due to lower claim administration costs in the Medical and Dental programs.

Loss control expense was approximately $1.1 million lower than budgeted due to lower utilization of services during the year.

Premium dividends were not budgeted but the Board declared a rebate of $7.5 million in the Workers' Compensation program and $6.1 million in the Health Benefits program.

General and administrative costs were lower than budgeted primarily due to lower personnel costs resulting from four vacant positions.

ANALYSIS OF BALANCES AND TRANSACTION OF INDIVIDUAL FUNDS

Property & Liability Program

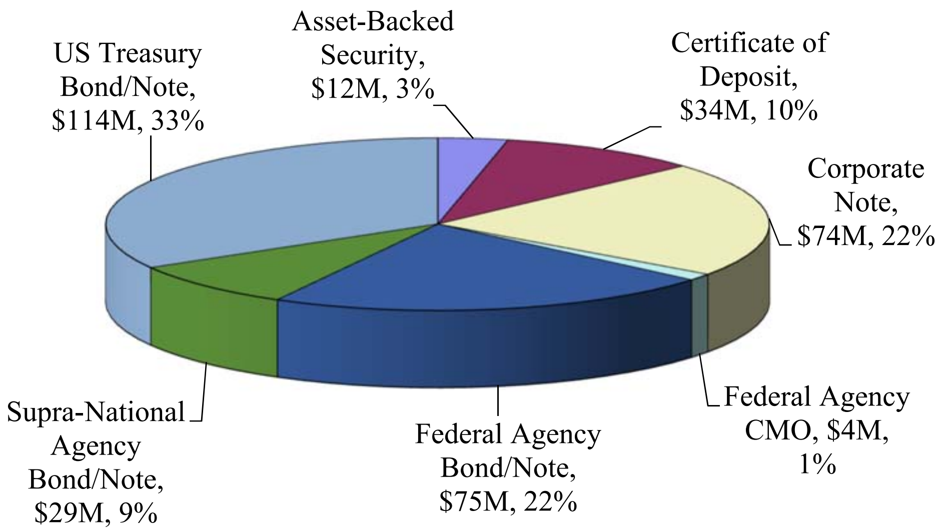
The total assets in the Property & Liability fund increased by $5.5 million to $187.2 million as of June 30, 2019. The increase was mainly attributable to the increase in cash and in excess and reinsurance receivable, offset by the decrease in investments. Total cash balance increased from $15.6 million as of June 30, 2018 to $17.9 million at the end of fiscal year 2018-19. Excess and reinsurance recoveries increased by almost $7.5 million to $11.2 million due to several claims that were made towards the end of the year which were in the excess and reinsurance layers.

The Property & Liability investment portfolio balance decreased by $4.0 million to an ending balance of $152.7 million as of June 30, 2019. The decrease was mainly due to the liquidation of $10.7 million in investments to raise cash to cover operating expenses and excess reinsurance renewals prior to year-end.

For the fiscal year, the portfolio earned $3.3 million in interest income which was reinvested in the portfolio and had an unrealized market value gain of $3.4 million as a result of the declining interest rate environment. As of June 30, 2019, the portfolio had an average yield of 2.07% and an average maturity of 1.90 years.

The following graph depicts the asset allocation of the investment portfolio:

Property & Liability Program Investments
Asset Allocation at June 30, 2019



The total liabilities increased by $20.0 million to $150.4 million as of June 30, 2019, primarily due to the increase in unpaid claims liability, as a result of a concerted effort to strengthen reserves to a more accurate loss level. Unpaid claims liability was increased by $31.4 million, offset by a decrease of $10.9 million in IBNR. This outstanding claims liability for unpaid losses was recorded at the actuarially determined undiscounted central confidence level.

The significant increase in claims caused the net position in this fund to decrease by $16.8 million to an ending balance of $37.5 million as of June 30, 2019. This ending equity included a one-time transfer of $2.3 million in equity from the Health Benefits fund.

Total premium revenues increased by $4.5 million from the prior year to $55.2 million primarily due the increase in rates and membership. The composite renewal rate increased by 4.9% from the prior year. The program added three members in this fiscal year which brought the total number of members to 115. In 2018-19, the program insured almost $32.0 billion in property values and nearly 1.2 million students. For the year, the program earned a total of $3.6 million in investment income and recognized an unrealized gain in investment fair value of $3.4 million. The program also generated $654,000 in other income from other ancillary programs such as the Booster Club, Underground Storage Tanks and the Rent-a-Risk Manager programs. These programs are offered to members as optional coverages/services.

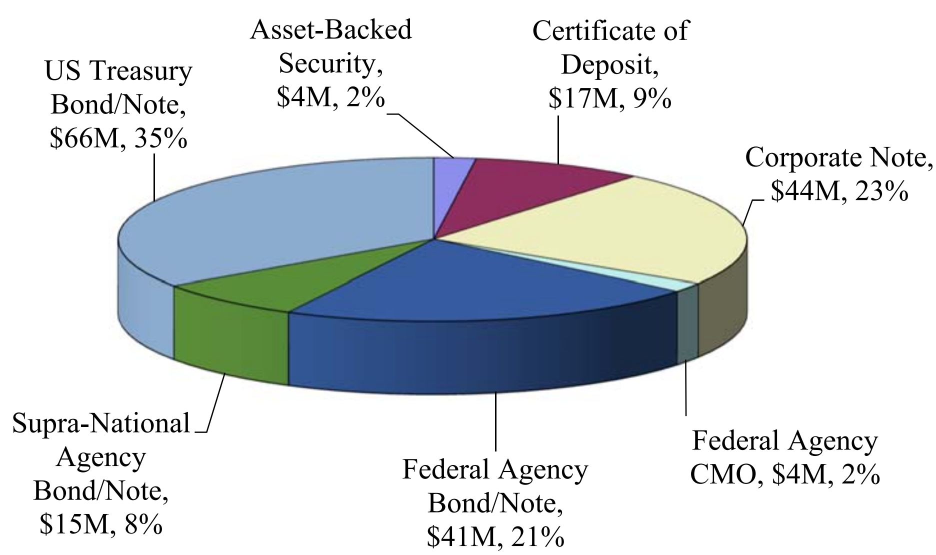
The total operating expenses increased by $25.0 million predominantly due to the increase in claims payments and change in the provision for IBNR and case reserves. Claims payments increased by $11.1 million and the provision for IBNR and case reserves increased by $13.9 million from the prior year. To avoid incurring a catastrophic or severe loss in any one program year, ASCIP purchases excess and/or reinsurance coverage in each of its programs. In fiscal year 2018-19, the total excess and reinsurance premiums increased by $337,000, mainly due to the increase in excess property premium as a result of the increase in total insured values. This year, ASCIP raised the self-insured retention of the General Liability coverage from $2.0 million to $2.5 million. ASCIP purchased reinsurance for the $2.5 million in excess of $2.5 million layer with no aggregate deductible and took a 20 percent quota share of losses with four reinsurers in this layer, compared to 25 percent quota share last year. Regarding the Property coverage portion of this program, ASCIP continued to carry a $1.0 million deductible as it has in previous years. Risk control expenses incurred in 2018-19 were $232,000 less than the previous year primarily due to lower utilization of services. All other operating expenses in the Property & Liability program held constant from fiscal year 2017-18 to fiscal year 2018-19.

Workers' Compensation Program

The Workers' Compensation fund ended the year with total assets of $216 million, an increase of $24.3 million from the prior year. The total assets included $23.2 million in cash and cash equivalents, $2.4 million in accounts receivable, and $190.4 million in investments. During the fiscal year, $40.0 million was transferred from the Los Angeles County Treasury Pool to the PFM investment portfolio. As a result, the portfolio balance rose to $190.4 million as of June 30, 2019. For the year, the program earned a total of $3.3 million in interest income that was re-invested in the portfolio and recognized an increase in recognized, but unrealized investment market value of $4.0 million. As of June 30, 2019, the portfolio had an average yield of 2.17% and an average maturity of 2.76 years.

The following graph depicts the asset allocation of the investment portfolio:

Workers Compensation Program Investments
Asset Allocation at June 30, 2019



The total liabilities in the Workers' Compensation fund increased by $10.6 million to $104.8 million at the end of fiscal year. The increase was mainly driven by the increase in unpaid claims liability and premium dividend payable. The unpaid claims liability increased by $6.1 million to $80.3 million. This increase was attributable to $2.0 million increase in case reserves and $4.1 million increase in IBNR. Furthermore, the increase was primarily due the addition of the outstanding liability for claims in the current fiscal year even though there was a decrease in projected ultimate losses for the years prior to June 30, 2018 by $5.3 million. The unallocated claims adjustment expense (ULAE) increased by $537,000 to $12.5 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 11.5 cents on ULAE for every $1.00 that it spends in gross loss and ALAE. Again, due to the substantial equity in the program, this year ASCIP's Executive Committee declared a premium rebate of $7.5 million, $4.0 million more than last year. Over the last thirteen years, the Workers' Compensation program has returned a total of $36.7 million back to its members.

Despite a large rebate, the workers' compensation fund closed the fiscal year with an increase in net position of $13.7 million, which brought the ending net position to $111.5 million as of June 30, 2019. This increase was mainly attributable to favorable loss experience and an overall well-managed program.

Member contributions increased by $3.9 million to $38.4 million, mainly due to the addition of three new members, which brought the total number of members to 47. Over the last decade, the program has been doing exceptionally well. As a result, the renewal rates have been very stable. This year, the overall composite rate decreased by 2.4%. The Workers' Compensation program premiums are based on payroll. Total program payroll increased by $263.0 million to $2.98 billion.

Total operating expenses increased by $10.1 million from the prior year, primarily due to the increase in provision for IBNR and case reserves and dividend expense. This year, the increase in IBNR and case reserves was $6.1 million, compared to $188,000 last year. The ULAE had an upward adjustment of $537,000, compared to $475,000 in the prior year. The dividend expense was $7.5 million, $4.0 million higher than the previous year. The excess insurance premium was $100,000 higher than last year's premium due to the increase in payroll and membership. The general operating expenses are allocated to the Workers' Compensation fund based on a portion of estimated staff time dedicated to this program. For the fiscal year 2018-19, 19% of the indirect general administrative expenses were allocated to this program.

Health Benefits Programs

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

As of June 30, 2019, the Health Benefits fund had total assets of $68.2 million, a decrease of $3.8 million from prior year mainly due to the decrease in cash. The total assets included $63 million in cash and cash equivalents, $4.7 million in prepaid deposits, and $493,000 in accounts receivable.

The total liabilities decreased by $1.2 million to $19.9 million. The decrease was attributable to the decrease in accounts payable of $1.2 million and dividend payable of $420,000, offset with an increase in unpaid claims liability of $416,000. The increase in unpaid claims liability was largely driven by the increase of the IBNR reserves in the self-funded medical plan by $145,000 and dental plan by $268,000. The actuary indicated that the increase was due to slower payments as compared to last year.

Member contributions totaled $157 million including $108 million from the medical and miscellaneous plans, $43.7 million from the dental plans, and $4.9 million from the vision plans. Total member contributions for fiscal year 2018-19 was $8.9 million lower compared to the prior year mainly due to the departure of one large member district from the self-funded medical plan.

The health benefits program incurred total operating expenses of $158 million, a decrease of almost $7 million. The decrease was predominantly due to the decrease in claims expense in the self-funded medical plan as a result of the departed member district, as mentioned above. Again, due to the program's favorable overall loss experience and substantial equity balance, the Executive Committee declared another large rebate in the amount of $6.1 million, which brought the total rebate to $12.6 million in the last two years.

For the year, the program had a net loss of $303,000, mainly due to the premium dividend. Without the dividend, the program would have a net income of $5.7 million. During the year, the Executive Committee approved a one-time transfer of $2.3 million in equity from the Health Benefits program to the Property & Liability program. This equity originated from the LARISA's administrative fund. The funds were transferred to the ASCIP's health benefits program to provide for the initial design, implementation and administration of the program. The Executive Committee found that these funds are no longer needed and approved the transfer of them to the Property & Liability program to cover the costs associated with the initial implementation, which were incurred in this program. This activity resulted in the Health Benefits program ending the year with a net position of $48.6 million.

Captive Insurance for Public Agencies, Limited. (CIPA)

CIPA is a licensed pure captive insurance company to operate for the sole benefit of ASCIP. Incorporated on January 25, 2005, CIPA received its Certificate of Authority from the Insurance Commissioner of the State of Hawaii on February 1, 2005.

ASCIP provides administrative oversite services to CIPA. CIPA utilizes Artex, a captive administrator with an office in Hawaii, along with contracted staff to manage the Owner-Controller Insurance Program (OCIP) to insure new construction and renovation projects undertaken by participating districts, which covers contractors and all their subcontractors on any work at or emanating from the project site. ASCIP provides administrative oversite to CIPA, including assistance with services such as business development, enrollment of participating projects, procurement of insurance coverage from third-party insurance carriers, claims adjusting services, and brokerage and administrative services. CIPA serves as a risk funding mechanism for portions of risk under the 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.

Effective July 1, 2018, ASCIP extended automobile liability and errors and omissions liability coverage to Whittier Union High School District (WUHSD) for its pupil transportation services, where ASCIP retains $500,000 per occurrence and obtained specific reinsurance for $4,500,000 excess of the $500,000 retention. CIPA provides self-insured retention reimbursement coverage to ASCIP for losses within the $500,000 retention, subject to a WUHSD's $25,000 deductible per occurrence.

Owner-Controller Insurance Program (OCIP)

In fiscal year 2018-19, the OCIP program enrolled 25 new construction projects and closed three projects with a total premium of $14.7 million bringing the total number of projects to 108 projects and a total premium of $49.1 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 2018-19, the OCIP program earned a total premium of $4.7 million. Collected but unearned revenue of $11.8 million will be recognized in future fiscal years.

Total expenses for the fiscal year 2018-19 were $4.2 million. Included in the total expenses were excess insurance premium of $1.02 million, IBNR adjustment of $1.2 million, loss payment of $482,000, OCIP administrator and broker's fees of $691,000, and general administrative expenses of $774,000.

For the year, the OCIP program had an increase in net position of $78,000, bringing the total net position to $2.8 million as of June 30, 2019. The increase in net position was primarily due to the increase in earned revenues as a result of the increase in project enrollment.

At June 30, 2018, the OCIP program's total assets were $21.1 million and liabilities were $18.3 million. The total assets included $7 million investments in various types of fix-income securities. In order to maximize investment returns, CIPA also utilizes PFM as its investment advisor to manage its investment portfolio.

Student Accident Program

For fiscal year 2018-19, the Student Accident program earned a total premium of $494,000, a decrease of $118,000 from the previous year due to a lower rate. This premium is 50% share of the program gross premium of $989,000 with the fronting carrier, QBE.

Total expenses for the fiscal year were $243,000, a decrease of $69,000 from the prior year. Included in the total expenses were $81,000 of paid losses, a reduction of $50,000 in IBNR and case reserves, $75,000 of intermediary fee and commission, $37,000 of claims adjusting fees, $40,000 of carrier fronting fee, and $60,000 of other contract services and expenses.

For the year, the Student Accident program had a net income of $252,000. At June 30, 2019, the program's total assets were $938,000 including $745,000 of funds held by the carrier. Total liabilities included $90,000 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.

Pupil Transportation Program

The Pupil Transportation program generated a net income of $104,000, comprised of premium earned of $169,000 less provision for losses of $65,000.

Facts or Conditions That Are Expected to Have a Significant Effect on The Financial Position or Result of Operations

One of the fastest growing exposures is personal tort liability claims arising from accusations of lack of oversight and protection with regards to sexual abuse and molestation involving students. While the number of claims in this category represents only about 8% of ASCIP's total claims, the dollars associated with this liability is approximately 50% of our total claim liabilities.

The recent passage of California Assembly Bill 218, which takes effect January 1, 2020, substantially increases the statute of limitations for filing claims based on such accusations. While the future is uncertain and dependent on many case-by-case factors, this could have a substantial negative impact on not only future claim liabilities, but also on insurance and reinsurance carrier's willingness to underwrite this coverage for schools in the State of California.

Another area of concern is the rising cost of property coverage as a result of the growing number of catastrophic wildfires in the State of California. The last two years have seen billions of dollars of losses throughout the State. While the public utility companies strive to mitigate this risk with planned power outages, these outages create other risks of loss, such as the loss of stored refrigerated supplies and revenue as a result of school closings. Many carriers have or are threatening to leave the California market and rates have increased substantially in the last two years. Whether or not coverage will continue to be available, rates are expected to continue to rise at a double, and in some areas at a triple, digit rate.

Cyber security is another growing risk. Attacks such as ransomware, malware, phishing, hacking, identity theft, financial security breaches and social engineering are expected to increase, with schools becoming a growing target for such attackers. ASCIP has devoted increased staff and resources to assist our members in protecting themselves from this growing threat, both before and after an attack. This is a global geo-economic problem and the cost, both economic and social, is expected to continue to rise.

Insurance providers, such as ASCIP, depend heavily on investment returns to fund a portion of our claims liabilities. As market rates for fixed income securities continue to decline, investment earnings deteriorate and provide less funding for losses than was originally projected. This trend is expected to continue into the next year and potentially longer.

BASIC FINANCIAL STATEMENTS

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:	2019	Memo Only 2018
Current assets:		
Cash and cash equivalents	$ 96,331,096	$ 117,384,990
Restricted cash and cash equivalents	11,224,364	12,220,527
Accounts receivables	18,882,544	8,902,309
Prepaid expenses and other assets	5,996,448	1,637,278
Investments maturing within one year	80,649,046	30,159,975
Restricted investments maturing within one year	7,484,200	6,733,200
Total current assets	220,567,698	177,038,279
Noncurrent assets:		
Investments, net of amount maturing within one year	263,938,039	268,353,414
Deposits	4,650,000	4,650,000
Capital assets, net	4,537,851	4,626,317
Total noncurrent assets	273,125,890	277,629,731
Total assets	493,693,588	454,668,010
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources for pension & OPEB	1,539,202	1,762,160
LIABILITIES:		
Current liabilities:		
Accounts payable	11,280,342	11,170,824
Unearned premium revenues	11,809,286	1,604,970
Premium dividends payable	13,613,711	10,027,194
Licensing agreement obligation	157,548	93,600
Risk management deposit fund	9,940,584	11,076,866
Safety credit payable	1,182,851	1,098,499
Current portion of unpaid claims	46,464,428	54,205,639
Unallocated claims adjustment expense (ULAE)	18,644,840	17,771,321
Total current liabilities	113,093,590	107,048,913
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses, net of current portion	178,187,482	142,179,072
Net pension liability	1,869,795	1,967,870
Total OPEB liability	442,816	388,840
Total noncurrent liabilities	180,500,093	144,535,782
Total liabilities	293,593,683	251,584,695
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources for pension & OPEB	277,662	442,840
NET POSITION:		
Invested in capital assets	4,537,851	4,626,317
Restricted	7,585,129	6,778,362
Unrestricted	189,238,465	192,997,956
Total net position	$ 201,361,445	$ 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, 2019

	2019	Memo Only 2018
OPERATING REVENUES:		
Premium deposits from members	$ 254,248,987	$ 252,566,622
Other income	677,756	721,728
Total operating revenues	254,926,743	253,288,350
OPERATING EXPENSES:		
Claims expense, net of reimbursements of $34,803,941	126,551,107	121,669,434
Provision for IBNR and case reserves	28,267,195	6,548,483
Provision for ULAE reserves	873,518	840,384
Excess/reinsurance premiums	19,535,330	18,997,868
Health benefits insurance premiums	62,157,909	63,256,272
Contract services	10,523,129	9,772,181
Loss control and risk management	4,166,915	4,462,622
General and administrative	9,204,471	8,991,232
Premium dividends	13,547,632	10,027,194
Total operating expenses	274,827,206	244,565,670
Operating income (loss)	(19,900,463)	8,722,680
NON-OPERATING REVENUES (EXPENSES):		
Interest and dividend income	9,442,383	7,747,474
Net unrealized gain (loss) on investments	7,416,890	(6,029,577)
Total non-operating income	16,859,273	1,717,897
Increase (decrease) in net position	(3,041,190)	10,440,577
Net position, beginning of year	204,402,635	193,962,058
Net position, end of year	$ 201,361,445	$ 204,402,635

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	2019	Memo Only 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from premium contributions and other income	$ 254,185,850	$ 259,509,656
Cash paid for claims	(126,551,102)	(121,581,881)
Cash paid for benefits, insurance, and other expenses	(112,874,110)	(111,892,594)
Cash paid to employees	(5,895,119)	(5,845,932)
Cash paid to pension plan and retirees	(535,930)	(422,934)
Net cash provided by operating activities	8,329,589	19,766,315
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Purchase of capital assets	(242,915)	(216,382)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(235,598,894)	(235,250,831)
Proceeds from sale or maturity of investments	196,212,175	219,945,360
Interest and investment income received	9,249,988	7,469,319
Net cash used by investing activities	(30,136,731)	(7,836,152)
Net increase (decrease) in cash and cash equivalents	(22,050,057)	11,713,781
Cash and cash equivalents, beginning of year	129,605,517	117,891,736
Cash and cash equivalents, end of year	$ 107,555,460	$ 129,605,517
RECONCILIATION TO STATEMENT OF NET POSITION:		
Cash and cash equivalents	$ 96,331,096	$ 117,384,990
Restricted cash and cash equivalents	11,224,364	12,220,527
Cash and cash equivalents, end of year	$ 107,555,460	$ 129,605,517
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ (19,900,463)	$ 8,482,543
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Loss on disposal of capital assets	-	1,203
Depreciation expense	331,381	332,030
(Increase) decrease in:		
Accounts receivables	(9,808,927)	(521,258)
Prepaid expenses and other assets and deposits	(4,359,170)	48,733
Deferred outflows of resources	222,958	(78,572)
Increase (decrease) in:		
Accounts payable and other liabilities	3,844,335	6,276,871
Unearned premium revenues	10,204,316	(265,473)
Risk management deposit fund	(1,136,282)	(2,198,978)
Unpaid claims and claim adjustment expense	29,140,718	7,476,420
Net pension liability	(98,075)	324,783
Total OPEB liability	53,976	49,756
Deferred inflows of resources	(165,178)	(161,743)
Net cash provided by operating activities	$ 8,329,589	$ 19,766,315
NONCASH INVESTING ACTIVITIES:		
Net increase in fair value of investments	$ 46,824,696	$ 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 they might otherwise be able to obtain operating on their own. During the fiscal year ended June 30, 2019, there were 139 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.

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 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, Pupil Transit, 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.

1) Property & Liability Fund

Members participate in the following programs:

General & Auto Liability Insurance:

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

A reinsured liability insurance program covering claims beyond $2,500,000 up to $5,000,000 in which ASCIP takes a 20 percent quota share position.

Property Insurance:

A self-funded property insurance plan covering claims up to $1,000,000 per occurrence. Members have the option to choose 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 of the damaged vehicle above each school district's $1,500 deductible.

2) 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.

3) Health 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 three programs on a full-accrual basis.

1) Owner-Controlled Insurance Program (OCIP) Fund

Members may participate in the following programs:

A self-funded Owner-Controlled Insurance Program (OCIP) that covers public school construction projects for workers' compensation, general liability, pollution liability, and owners protective professional liability coverage 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.

2) 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.

3) Pupil Transit Fund

Members participate in the following program:

A self-funded pupil transit program that provides automobile liability and errors and omissions liability coverage up to $500,000 per occurrence with member deductible of $25,000 per occurrence.

A fully-insured pupil transit program that provides automobile liability and errors and omissions liability coverage between $500,000 to $5,000,000 per occurrence.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ASCIP considers investments in the Los Angeles County Treasury Pool (LACTP), investment in the State of California’s Local Agency Investment Fund (LAIF), and money market mutual funds to be cash equivalents.

Investment and Investment Pools

ASCIP records its investments at fair value and cash in LAIF and LACTP 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 10) and Safety Credit Payable (Note 11) 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 capital 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 $331,381 for the year ended June 30, 2019.

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 coverages 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 ASCIP’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.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2019, consist of the following:

Cash on hand and in banks	$ 5,331,147
Investments classified as cash equivalents:	
Investment in Local Agency Investment Fund	4,218,607
Investment in LA County Treasury Pool	98,005,706
Total Cash and Cash Equivalents	$ 107,555,460

Investments

Investments as of June 30, 2019, are classified as follows:

Investments maturing within one year	
Unrestricted	$ 80,649,046
Restricted	7,484,200
Investments maturing after one year	
Unrestricted	263,938,039
Total Investments	$ 352,071,285

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 Los Angeles County Treasury Pool

ASCIP is a voluntary participant in the Los Angeles County Treasury 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: https://ttc.lacounty.gov/.

Investment in the State of California's Local Agency Investment Fund

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 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	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	25%
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	30%	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
- The purchase of U.S. Treasury Instruments and Federal Agency and Instrumentality Securities with maturities in excess of five years is permitted, subject to the following constraints: U.S. Treasury and Federal Agency securities shall have a maximum remaining maturity at time of purchase of eleven years or less, and Federal Agency mortgage-backed 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	$ 98,005,706	$ 98,005,706	$ -	$ -	$ -
State Investment Pool	4,218,607	4,218,607	-	-	-
	102,224,313	102,224,313	-	-	-
U.S. Treasury Obligations	119,920,316	24,640,691	16,539,522	63,337,318	15,402,785
Negotiable Certificates of Deposit	36,200,741	21,652,275	14,548,466	-	-
Federal Agencies Obligations	76,263,943	13,987,525	15,652,193	46,624,225	-
Corporate Notes	72,559,311	17,166,725	20,372,216	35,020,370	-
Supranational Obligations	29,341,655	2,822,994	20,683,730	5,834,931	-
Mortgage- and Asset-Backed Securities	17,785,319	378,836	1,444,608	15,961,875	-
	352,071,285	80,649,046	89,240,735	166,778,719	15,402,785
Total	$ 454,295,598	$182,873,359	$ 89,240,735	$166,778,719	$ 15,402,785

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 ASCIP's investment policy, which is in conformance with the *California Government Code*, 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	Unrated
U.S. Treasury Obligations	$ 119,920,316	**	$ -	$119,920,316	$ -	$ -
Negotiable Certificates of Deposit	36,200,741	*	-	15,127,282	21,073,459	-
Federal Agencies Obligations	76,263,943	*	-	76,263,943	-	-
Corporate Notes	72,559,311	A	-	17,193,130	55,366,181	-
Supranational Obligations	29,341,655	AA	29,341,655	-	-	-
Mortgage- and Asset-Backed Securities	17,785,319	AA	8,875,326	5,812,844	1,976,633	1,120,516
County Pool	98,005,706	*	-	-	-	98,005,706
State Investment Pool	4,218,607	*	-	-	-	4,218,607
Total	$ 454,295,598		$ 38,216,981	$234,317,515	$ 78,416,273	$ 103,344,829

* 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 limits the investment in any one non-governmental issuer to 25%. 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, 2019 in a single issuer that represent 5% or more of ASCIP's total investments.

Issuer	June 30, 2019
Federal National Mortgage Association	$ 59,223,552

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, 2019, 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 County 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, 2019:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Uncategorized
U.S. Treasury Obligations	$ 119,920,316	$ 119,920,316	$ -	$ -
Negotiable Certificates of Deposit	36,200,741	-	36,200,741	-
Federal Agencies Obligations	76,263,943	-	76,263,943	-
Corporate Notes	72,559,311	-	72,559,311	-
Supranational Obligations	29,341,655	-	29,341,655	-
Mortgage- and Asset-Backed Securities	17,785,319	-	17,785,319	-
County Pool	98,005,706	-	-	98,005,706
State Investment Pool	4,218,607	-	-	4,218,607
Total	$ 454,295,598	$ 119,920,316	$ 232,150,969	$ 102,224,313

4. ACCOUNTS RECEIVABLE

Accounts receivables at June 30, 2019, consist of the following:

	Property & Liability Fund	Workers' Compensation Fund	Health Benefit Fund	CIPA	Total
Accrued investment income	$ 959,004	$ 1,322,945	$ 337,275	$ -	$ 2,619,224
Excess insurance recoveries	11,217,254	102,368	-	-	11,319,622
Other accounts receivable	229,419	999,814	155,724	3,558,741	4,943,698
Total	$ 12,405,677	$ 2,425,127	$ 492,999	$ 3,558,741	$ 18,882,544

5. CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2019, consists of the following:

	Balance Beginning of Year	Additions	Disposals	Balance End of Year
Land and buildings	$ 6,349,856	$ -	$ -	$ 6,349,856
Equipment	1,507,356	242,915	(63,336)	1,686,935
Accumulated depreciation	(3,230,895)	(331,381)	63,336	(3,498,940)
Capital assets, net	$ 4,626,317	$ (88,466)	$ -	$ 4,537,851

6. ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consist of the following:

Type	Property & Liability Fund	Workers' Compensation Fund	Health Benefit Fund	CIPA	Total
Salaries and benefits	$ 292,627	$ 91,396	$ 122,084	$ -	$ 506,107
Accrued vacation	239,539	78,311	102,358	-	420,208
Other operating	859,904	246,974	6,880,715	1,646,493	9,634,086
Due to members	256,305	463,636	-	-	719,941
Total	$ 1,648,375	$ 880,317	$ 7,105,157	$ 1,646,493	$ 11,280,342

7. UNEARNED PREMIUM REVENUES

Unearned premium revenues at June 30, 2019, consist of the following:

Health Benefits Fund	$ 566
CIPA	11,808,720
Total	$ 11,809,286

8. 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 2019, retrospective adjustments for workers' compensation and health benefits were $7,506,189 and $6,107,522, respectively. The adjustments were calculated related to workers' compensation for the eight years ended June 30, 2004 through June 30, 2011 and related to health benefits for the nine years ended June 30, 2007 through June 30, 2015.

9. 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, 2019, ASCIP outstanding licensing agreement obligation amounted to $157,548.

10. 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 district related needs. Deferral requires both written authorization by the member's senior administrative official and approval by ASCIP's Executive Committee. ASCIP limits the total amount of 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, 2019, ASCIP reported a total balance of $9,940,584 in its RMDF. This balance is classified under restricted cash and cash equivalent.

11. 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, 2019, ASCIP reported the following Safety Credit payable:

Property & Liability Fund	$ 645,956
Workers' Compensation Fund	536,895
Total	$ 1,182,851

12. 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. 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, 2019, is adequate, the ultimate settlement of claims and related expenses may vary from the liability recorded.

13. RECONCILIATION OF UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

As discussed in Note 12, 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, 2019 and 2018:

	2019	2018
Unpaid claims at beginning of year	$ 214,156,032	$ 206,679,612
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	149,294,837	139,391,344
Increase (decrease) in provision for insured events of prior years	6,396,983	(10,333,043)
Total Incurred Claims and Claim Adjustment Expenses	155,691,820	129,058,301
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	82,941,663	83,347,312
Claims and claim adjustment expenses attributable to insured events of prior years	43,609,439	38,234,569
Total Payments	126,551,102	121,581,881
Total unpaid claims at end of year	$ 243,296,750	$ 214,156,032
Current portion	$ 65,109,268	$ 71,976,960
Noncurrent portion	178,187,482	142,179,072
Total unpaid claims at end of year	$ 243,296,750	$ 214,156,032

14. EMPLOYEE RETIREMENT SYSTEM

ASCIP provides pension benefits to its employees through ASCIP's Miscellaneous Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan maintained by CalPERS, an agency of the State of California. ASCIP had less than 100 active members as of the June 30, 2017 actuarial valuation. As a result, qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute.

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and have a minimum of five years of CalPERS-credited service. Members after December 2012 must be at least 52 to be eligible for service retirement.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. ASCIP is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. ASCIP's required contribution rate on covered payroll for the measurement period ended June 30, 2018 (the measurement date) was 9.409% and 6.842% of annual pay for Classic and PEPRA employees, respectively. Employer contribution rates may change if plan contracts are amended. For the year ended June 30, 2019, the employer contributions to the plan were $576,780.

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

ASCIP's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2018 for the year ended June 30, 2019. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. As of June 30, 2019, ASCIP's proportionate share of the Plan's NPL was $1,869,795.

Using ASCIP's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for ASCIP by the actuary. ASCIP's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 were as follows:

	Plan
Proportion - June 30, 2017	.049920%
Proportion - June 30, 2018	.049614%
Change - increase (decrease)	(.000306%)

For the year ended June 30, 2019, ASCIP recognized pension expense of $549,611.

At June 30, 2019, 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
Differences between expected and actual experience	$ 71,744	$ 24,413
Changes of assumptions	213,163	52,244
Net difference between projected and actual earnings on pension plan investments	210,085	200,842
Net changes in proportionate share of net pension liability	263,377	-
Changes in proportionate share of contributions	181,816	-
Pension contributions subsequent to measurement date	576,780	-
Total	$ 1,516,965	$ 277,499

As of June 30, 2019, the $576,780 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2020. As of June 30, 2019, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense (benefit) as follows:

Year Ended June 30	Amount
2020	$ 428,732
2021	257,575
2022	(6,806)
2023	(16,815)
Total	$ 662,686

Actuarial Methods and Assumptions

The collective TPL for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the TPL to June 30, 2018. The collective TPL was based on the following assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

Changes of Assumptions

For the measurement period ending June 30, 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The table below reflects the long-term expected real rate of return by asset class.

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1 – 10[2]	Real Return Years 11+[3]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%		-0.92%
Total	100.00%		

(1) In the system's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% was used for this period.
(3) An expected inflation of 2.92% was used for this period.

Sensitivity of ASCIP's Proportional Share of the NPL to Changes in the Discount Rate

The following presents ASCIP's Proportional Share of the NPL of the Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 7.15%, as well as what ASCIP's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
ASCIP's Proportionate Share of Plan's NPL	$ 3,328,012	$ 1,869,795	$ 666,065

15. 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, 2019, 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, 2019, ASCIP paid benefits to retirees of $5,221.

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 July 1, 2017 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 $442,816 was measured as of June 30, 2019, and was determined by an actuarial valuation dated July 1, 2017 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate [(1)]	2.79%
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 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019.

(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, 2018	$ 388,840
Changes recognized for the measurement period:	
Service cost	31,214
Interest cost	12,440
Changes of benefit terms	-
Differences between expected and actual experience	1,347
Changes in assumptions	14,196
Actual benefit payments	(5,221)
Net changes	53,976
Balance at June 30, 2019	$ 442,816

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% (1.79%)	Current Discount Rate (2.79%)	Discount Rate +1% (3.79%)
Total OPEB liability	$ 527,526	$ 442,816	$ 373,941

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:

	Health Care Trend Rate –1%	Health Care Trend Rate [1]	Health Care Trend Rate +1%
Total OPEB liability	N/A	$ 442,816	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, 2019, ASCIP recognized OPEB expense of $46,073. At June 30, 2019, 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	$ 1,219	$ 163
Changes of assumptions	21,018	-
Total	$ 22,237	$ 163

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
2020	$ 2,419
2021	2,419
2022	2,419
2023	2,419
2024	2,419
Thereafter	9,979

16. 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, which is collected by ASCIP and forwarded to SELF, for excess insurance coverage for liability claims from $5,000,000 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 SELF governing board consists of elected representatives 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; additionally, fund transactions between SELF and ASCIP are not included in these statements. The payments to SELF for the year ended June 30, 2019, were $9,396,749. Audited financial statements are available from SELF at their website, www.selfjpa.org.

17. 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, 2019

	Property & Liability		Workers Compensation		Health Benefits		CIPA		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses at the beginning 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
Incurred claims and claim adjustment expenses:										
Provision for insured events of the current fiscal year	44,011,835	35,218,567	23,680,241	21,251,036	80,018,595	82,203,819	1,584,166	717,922	149,294,837	139,391,344
Increase (Decrease) in provision for insured events of prior fiscal years	13,895,446	(2,028,064)	(5,390,397)	(9,078,813)	(2,411,901)	386,118	303,835	387,716	6,396,983	(10,333,043)
Total incurred claims and claim adjustment expenses	57,907,281	33,190,503	18,289,844	12,172,223	77,606,694	82,589,937	1,888,001	1,105,638	155,691,820	129,058,301
Payments:										
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	5,359,568	3,308,568	3,053,744	2,750,401	74,471,413	77,199,278	56,938	89,065	82,941,663	83,347,312
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	31,851,942	22,759,641	8,562,796	8,758,266	2,688,441	6,584,615	506,260	132,047	43,609,439	38,234,569
Total Payments	37,211,510	26,068,209	11,616,540	11,508,667	77,159,854	83,783,893	563,198	221,112	126,551,102	121,581,881
Total Unpaid claims and claim adjustment expenses at the end of the fiscal year	$ 139,456,707	$ 118,760,936	$ 92,794,484	$ 86,121,180	$ 6,004,972	$ 5,558,132	$ 5,040,587	$ 3,715,784	$ 243,296,750	$ 214,156,032

See accompanying note to required supplementary information

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2019

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 & LIABILITY PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Premiums and investment revenue:										
Earned	$ 63,051	$ 61,583	$ 59,400	$ 58,514	$ 56,514	$ 56,671	$ 59,326	$ 58,378	$ 57,984	$ 62,064
Ceded	(12,206)	(11,620)	(11,617)	(11,448)	(13,759)	(13,578)	(14,080)	(17,787)	(17,932)	(21,678)
Net earned	$ 50,845	$ 49,963	$ 47,783	$ 47,066	$ 42,755	$ 43,093	$ 45,246	$ 40,591	$ 40,052	$ 40,386
2. Unallocated expenses	$ 8,673	$ 8,302	$ 8,893	$ 7,749	$ 5,898	$ 8,912	$ 8,432	$ 9,139	$ 10,041	$ 9,029
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 30,240	$ 29,431	$ 31,054	$ 50,221	$ 38,947	$ 31,380	$ 43,524	$ 39,887	$ 40,351	$ 65,100
Ceded	-	-	-	(9,402)	(1,599)	-	(9,164)	(4,918)	(5,597)	(21,273)
Net incurred	$ 30,240	$ 29,431	$ 31,054	$ 40,819	$ 37,348	$ 31,380	$ 34,360	$ 34,969	$ 34,754	$ 43,827
4. Paid (cumulative) as of:										
End of policy year	$ 2,664	$ 4,219	$ 3,415	$ 3,963	$ 3,393	$ 1,586	$ 2,673	$ 1,378	$ 3,309	$ 5,360
One year later	$ 9,007	$ 10,209	$ 11,646	$ 7,493	$ 7,429	$ 3,846	$ 9,193	$ 6,375	$ 9,134	
Two years later	$ 18,137	$ 28,000	$ 16,354	$ 17,984	$ 11,615	$ 13,624	$ 13,835	$ 15,047		
Three years later	$ 23,774	$ 32,663	$ 23,286	$ 24,598	$ 20,228	$ 16,088	$ 23,188			
Four years later	$ 26,602	$ 32,811	$ 26,461	$ 35,322	$ 20,633	$ 23,419				
Five years later	$ 28,751	$ 37,077	$ 36,101	$ 33,639	$ 20,465					
Six years later	$ 29,547	$ 42,802	$ 31,626	$ 34,492						
Seven years later	$ 32,557	$ 37,383	$ 31,485							
Eight years later	$ 31,248	$ 37,010								
Nine years later	$ 31,900									
5. Reestimated ceded losses and expenses	$ 3,523	$ 20,083	$ 7,459	$ 23,561	$ 3,846	$ 13,198	$ 19,204	$ 30,482	$ 15,699	$ 21,273
6. Reestimated incurred claims and expense:*										
End of policy year	$ 30,240	$ 29,431	$ 31,054	$ 40,819	$ 37,348	$ 31,380	$ 34,360	$ 34,969	$ 34,754	$ 43,827
One year later	$ 31,630	$ 35,195	$ 33,302	$ 33,972	$ 30,298	$ 28,082	$ 31,206	$ 33,584	$ 39,901	
Two years later	$ 31,136	$ 42,040	$ 34,914	$ 33,611	$ 29,198	$ 29,866	$ 31,722	$ 44,963		
Three years later	$ 30,076	$ 41,600	$ 33,903	$ 38,819	$ 28,860	$ 29,596	$ 37,313			
Four years later	$ 31,558	$ 42,032	$ 34,219	$ 39,963	$ 28,293	$ 28,014				
Five years later	$ 32,957	$ 40,001	$ 34,791	$ 39,540	$ 24,400					
Six years later	$ 32,395	$ 39,430	$ 34,852	$ 36,586						
Seven years later	$ 33,165	$ 39,691	$ 32,010							
Eight years later	$ 33,288	$ 38,891								
Nine years later	$ 36,867									
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ 6,627	$ 9,460	$ 956	$ (4,233)	$ (12,948)	$ (3,366)	$ 2,953	$ 9,994	$ 5,147	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

WORKERS' COMPENSATION PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Premiums and investment revenue:										
Earned	$ 24,208	$ 25,343	$ 26,101	$ 27,774	$ 28,903	$ 34,771	$ 38,103	$ 33,770	$ 31,528	$ 37,407
Ceded	(14,688)	(16,721)	(16,787)	(1,321)	(1,397)	(1,399)	(1,558)	(1,595)	(1,601)	(1,824)
Net earned	$ 9,520	$ 8,622	$ 9,314	$ 26,453	$ 27,506	$ 33,372	$ 36,545	$ 32,175	$ 29,927	$ 35,583
2. Unallocated expenses	$ 3,201	$ 3,619	$ 4,010	$ 5,304	$ 9,853	$ 6,127	$ 5,350	$ 9,139	$ 6,341	$ 6,175
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ -	$ -	$ -	$ 25,718	$ 30,055	$ 32,989	$ 31,464	$ 32,947	$ 32,273	$ 34,471
Ceded	-	-	-	(2,385)	(9,296)	(9,957)	(9,370)	(10,903)	(11,497)	(11,328)
Net incurred	$ -	$ -	$ -	$ 23,333	$ 20,759	$ 23,032	$ 22,094	$ 22,044	$ 20,776	$ 23,143
4. Paid (cumulative) as of:										
End of policy year	$ -	$ -	$ -	$ 2,450	$ 2,445	$ 2,982	$ 2,981	$ 2,615	$ 2,750	$ 3,054
One year later	$ -	$ -	$ -	$ 5,008	$ 5,029	$ 5,880	$ 6,432	$ 6,076	$ 5,912	
Two years later	$ -	$ -	$ -	$ 7,085	$ 7,020	$ 7,797	$ 8,692	$ 8,162		
Three years later	$ -	$ -	$ -	$ 9,398	$ 8,287	$ 9,004	$ 10,026			
Four years later	$ -	$ -	$ -	$ 10,706	$ 8,926	$ 9,874				
Five years later	$ -	$ -	$ -	$ 11,493	$ 9,334					
Six years later	$ -	$ -	$ -	$ 11,831						
Seven years later	$ -	$ -	$ -							
Eight years later	$ -	$ -								
Nine years later	$ -									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ 8,571	$ 7,374	$ 7,607	$ 8,342	$ 15,031	$ 10,857	$ 11,328
6. Reestimated incurred claims and expense:										
End of policy year	$ -	$ -	$ -	$ 23,333	$ 20,759	$ 23,032	$ 22,094	$ 22,044	$ 20,776	$ 23,143
One year later	$ -	$ -	$ -	$ 18,451	$ 17,685	$ 20,920	$ 23,614	$ 20,438	$ 19,430	
Two years later	$ -	$ -	$ -	$ 19,721	$ 18,706	$ 21,113	$ 21,518	$ 21,461		
Three years later	$ -	$ -	$ -	$ 19,267	$ 17,138	$ 18,171	$ 19,972			
Four years later	$ -	$ -	$ -	$ 18,553	$ 15,556	$ 17,237				
Five years later	$ -	$ -	$ -	$ 17,852	$ 14,911					
Six years later	$ -	$ -	$ -	$ 16,841						
Seven years later	$ -	$ -	$ -							
Eight years later	$ -	$ -								
Nine years later	$ -									
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ -	$ -	$ -	$ (6,492)	$ (5,848)	$ (5,795)	$ (2,122)	$ (583)	$ (1,346)	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

HEALTH BENEFITS PROGRAM
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Premiums and investment revenue:										
Earned	$ 87,123	$ 92,888	$ 97,649	$ 112,778	$ 120,532	$ 135,613	$ 172,556	$ 173,474	$ 159,828	$ 151,735
Ceded	(34,548)	(34,130)	(34,347)	(1,607)	(2,105)	(3,120)	(5,740)	(6,097)	(5,630)	(5,285)
Net earned	$ 52,575	$ 58,758	$ 63,302	$ 111,171	$ 118,427	$ 132,493	$ 166,816	$ 167,377	$ 154,198	$ 146,450
2. Unallocated expenses	$ 4,985	$ 5,891	$ 5,980	$ 5,344	$ 5,296	$ 6,134	$ 7,764	$ 7,077	$ 7,007	$ 5,448
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 50,729	$ 53,581	$ 52,803	$ 48,285	$ 48,715	$ 49,376	$ 76,957	$ 84,615	$ 82,304	$ 79,988
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 50,729	$ 53,581	$ 52,803	$ 48,285	$ 48,715	$ 49,376	$ 76,957	$ 84,615	$ 82,304	$ 79,988
4. Paid (cumulative) as of:										
End of policy year	$ 47,143	$ 49,253	$ 47,661	$ 45,121	$ 45,989	$ 49,943	$ 72,487	$ 79,071	$ 77,199	$ 74,471
One year later	$ 55,134	$ 60,396	$ 54,051	$ 51,152	$ 51,522	$ 56,606	$ 76,304	$ 86,679	$ 81,575	
Two years later	$ 55,134	$ 60,399	$ 54,051	$ 51,152	$ 51,522	$ 56,607	$ 76,304	$ 86,679		
Three years later	$ 55,134	$ 60,399	$ 54,051	$ 51,152	$ 51,522	$ 56,607	$ 76,304			
Four years later	$ 55,134	$ 60,399	$ 54,051	$ 51,152	$ 51,522	$ 56,607				
Five years later	$ 55,134	$ 60,399	$ 54,051	$ 51,152	$ 51,522					
Six years later	$ 55,134	$ 60,399	$ 54,051	$ 51,152						
Seven years later	$ 55,134	$ 60,399	$ 54,051							
Eight years later	$ 55,134	$ 60,399								
Nine years later	$ 55,134									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated incurred claims and expense:										
End of policy year	$ 50,729	$ 53,581	$ 52,803	$ 48,285	$ 48,715	$ 89,722	$ 76,957	$ 84,615	$ 82,304	$ 79,988
One year later	$ 55,134	$ 60,539	$ 53,961	$ 51,176	$ 51,611	$ 56,607	$ 76,338	$ 86,702	$ 81,602	
Two years later	$ 55,134	$ 60,399	$ 54,051	$ 51,176	$ 51,522	$ 56,607	$ 76,304	$ 86,702		
Three years later	$ 55,134	$ 60,399	$ 54,051	$ 51,176	$ 51,522	$ 56,607	$ 76,304			
Four years later	$ 55,134	$ 60,399	$ 54,051	$ 51,176	$ 51,522	$ 56,607				
Five years later	$ 55,134	$ 60,399	$ 54,051	$ 51,176	$ 51,522					
Six years later	$ 55,134	$ 60,399	$ 54,051	$ 51,176						
Seven years later	$ 55,134	$ 60,399	$ 54,051							
Eight years later	$ 55,134	$ 60,399								
Nine years later	$ 55,134									
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ 4,405	$ 6,818	$ 1,248	$ 2,891	$ 2,807	$ 7,231	$ (653)	$ 2,087	$ (702)	$ -

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

CIPA (OCIP, STUDENT ACCIDENT, AND PUPIL TRANSIT PROGRAM)
CLAIMS DEVELOPMENT INFORMATION (in Thousands)
JUNE 30, 2019

	2010	2011	2012	2013	2014	2015	2016	2017*	2018	2019**
1. Premiums and investment revenue:										
Earned	$ 3,130	$ 4,504	$ 3,204	$ 2,113	$ 2,504	$ 1,653	$ 1,786	$ 2,455	$ 2,621	$ 4,900
Ceded	(1,778)	(1,179)	(1,422)	(152)	(965)	(505)	(496)	(465)	(536)	(1,021)
Net earned	$ 1,352	$ 3,325	$ 1,782	$ 1,961	$ 1,539	$ 1,148	$ 1,290	$ 1,990	$ 2,085	$ 3,879
2. Unallocated expenses	$ 720	$ 1,029	$ 329	$ 686	$ 675	$ 305	$ 473	$ 571	$ 784	$ 1,525
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 563	$ 1,690	$ 672	$ 408	$ 670	$ 521	$ 504	$ 818	$ 630	$ 1,464
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 563	$ 1,690	$ 672	$ 408	$ 670	$ 521	$ 504	$ 818	$ 630	$ 1,464
4. Paid (cumulative) as of:										
End of policy year	$ 52	$ 233	$ 108	$ 120	$ 19	$ 39	$ 8	$ 119	$ 43	$ 57
One year later	$ 179	$ 867	$ 377	$ 349	$ 21	$ 160	$ 47	$ 246	$ 85	
Two years later	$ 255	$ 1,242	$ 411	$ 406	$ 22	$ 226	$ 79	$ 438		
Three years later	$ 371	$ 1,780	$ 459	$ 428	$ 23	$ 239	$ 166			
Four years later	$ 515	$ 2,189	$ 1,278	$ 449	$ 26	$ 260				
Five years later	$ 533	$ 2,964	$ 1,286	$ 454	$ 33					
Six years later	$ 607	$ 3,595	$ 1,295	$ 459						
Seven years later	$ 515	$ 5,697	$ 1,298							
Eight years later	$ 534	$ 5,864								
Nine years later	$ 574									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated incurred claims and expense:										
End of policy year	$ 119	$ 1,297	$ 290	$ 408	$ 670	$ 521	$ 504	$ 818	$ 630	$ 1,464
One year later	$ 294	$ 1,943	$ 432	$ 848	$ 372	$ 502	$ 442	$ 630	$ 486	
Two years later	$ 375	$ 2,329	$ 758	$ 747	$ 231	$ 437	$ 915	$ 608		
Three years later	$ 529	$ 3,585	$ 1,565	$ 644	$ 139	$ 432	$ 879			
Four years later	$ 660	$ 3,599	$ 1,376	$ 636	$ 134	$ 377				
Five years later	$ 684	$ 4,374	$ 1,361	$ 568	$ 112					
Six years later	$ 786	$ 4,489	$ 1,073	$ 545						
Seven years later	$ 829	$ 3,157	$ 1,045							
Eight years later	$ 794	$ 3,772								
Nine years later	$ 787									
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	$ 224	$ 2,082	$ 373	$ 137	$ (558)	$ (144)	$ 375	$ (210)	$ (144)	$ -

* From 2017 forward also in includes Student Accident program
** From 2019 forward also includes Pupil Transit program

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, 2019 LAST 10 YEARS*

	2019	2018
TOTAL OPEB LIABILITY		
Service cost	$ 31,214	$ 31,716
Interest	12,440	11,553
Changes in benefit terms	-	-
Differences between expected and actual experience	1,347	(201)
Changes of assumptions	14,196	10,083
Benefit payments	(5,221)	(3,396)
NET CHANGE IN TOTAL OPEB LIABILITY	53,976	49,755
TOTAL OPEB LIABILITY, Beginning	388,840	339,085
TOTAL OPEB LIABILITY, Ending	$ 442,816	$ 388,840
Covered-employee payroll	$ 4,162,439	$ 4,558,579
ASCIP's total OPEB liability as a percentage of covered-employee payroll	11%	9%

Notes to Schedule:

The discount rate changed from 2.98% as of June 30, 2018 to 2.79% as of June 30, 2019. No assets accumulated in trust.

* Fiscal year 2018 was the 1st year of implementation, therefore only two years are presented.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

SCHEDULE OF ASCIP'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2019 LAST 10 YEARS*

	Measurement Date June 30				
	2018	**2017**	**2016**	**2015**	**2014**
ASCIP's proportion of the net pension liability	0.0496%	0.0499%	0.0473%	0.0457%	0.0201%
ASCIP's proportionate share of the net pension liability	$ 1,869,795	$ 1,967,870	$ 1,643,087	$ 1,252,869	$ 1,224,143
ASCIP's covered-employee payroll	$ 4,558,579	$ 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	41.02%	47.56%	50.26%	43.02%	48.56%
Plan fiduciary net position as a percentage of the total pension liability	75.00%	73.00%	76.00%	81.00%	81.00%

Notes to Schedule:

Change in benefit terms. For the measurement period ending June 30, 2018, there were no changes to benefit terms.

Changes in assumptions. For the measurement period ending June 30, 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes to the discount rate.

* Measurement period 2014 was the 1st year of implementation, therefore only five years are shown.

See accompanying note to required supplementary information.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

SCHEDULE OF ASCIP'S CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST 10 YEARS*

	Fiscal Year				
	2019	**2018**	**2017**	**2016**	**2015**
Contractually required contribution	$ 576,780	$ 456,855	$ 411,681	$ 338,763	$ 354,308
Contributions in relation to the contractually required contributions	(576,780)	(456,855)	(411,681)	(338,763)	(354,308)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
ASCIP's covered-employee payroll	$ 4,162,439	$ 4,558,579	$ 4,137,910	$ 3,269,226	$ 2,912,480
Contributions as a percentage of covered-employee payroll	13.86%	10.02%	9.95%	10.36%	12.17%

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

See accompanying note to required supplementary information.

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.

ADDITIONAL INFORMATION

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:	Property & Liability	Workers' Compensation	Health Benefits	CIPA	Total
Current assets:					
Cash and cash equivalents	$ 9,843,266	$ 20,065,560	$ 63,016,322	$ 3,405,948	$ 96,331,096
Restricted cash and cash equivalents	8,078,436	3,145,928	-	-	11,224,364
Accounts receivables	12,405,677	2,425,127	492,999	3,558,741	18,882,544
Prepaid expenses and other assets	262,679	-	-	5,733,769	5,996,448
Investments maturing within one year	40,740,087	36,256,626	-	3,652,333	80,649,046
Restricted investments maturing within one year	4,984,200	-	-	2,500,000	7,484,200
Total current assets	76,314,345	61,893,241	63,509,321	18,850,791	220,567,698
Noncurrent assets:					
Investments, net of amount maturing within one year	106,350,095	154,190,133	-	3,397,811	263,938,039
Deposits	-	-	4,650,000	-	4,650,000
Capital assets, net	4,537,851	-	-	-	4,537,851
Total noncurrent assets	110,887,946	154,190,133	4,650,000	3,397,811	273,125,890
Total assets	187,202,291	216,083,374	68,159,321	22,248,602	493,693,588
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred outflows of resources for pension & OPEB	811,449	288,037	439,716	-	1,539,202
LIABILITIES:					
Current liabilities:					
Accounts payable	1,648,375	880,317	7,105,157	1,646,493	11,280,342
Unearned premium revenues	-	-	566	11,808,720	11,809,286
Premium dividend payable	-	7,506,189	6,107,522	-	13,613,711
Licensing agreement obligation	157,548	-	-	-	157,548
Risk management deposit fund	7,331,551	2,609,033	-	-	9,940,584
Safety credit payable	645,956	536,895	-	-	1,182,851
Current portion of unpaid claims	31,852,000	8,563,000	5,543,428	506,000	46,464,428
Unallocated claims adjustment expense (ULAE)	5,294,420	12,466,300	461,544	422,576	18,644,840
Total current liabilities	46,929,850	32,561,734	19,218,217	14,383,789	113,093,590
Noncurrent liabilities:					
Unpaid claims and claim adjustment expenses, net of current portion	102,310,287	71,765,185	-	4,112,010	178,187,482
Net pension liability	932,789	365,791	571,215	-	1,869,795
Total OPEB liability	252,762	81,654	108,400	-	442,816
Total noncurrent liabilities	103,495,838	72,212,630	679,615	4,112,010	180,500,093
Total liabilities	150,425,688	104,774,364	19,897,832	18,495,799	293,593,683
DEFERRED INFLOWS OF RESOURCES:					
Deferred inflows of resources for pension & OPEB	103,631	56,766	117,265	-	277,662
NET POSITION:					
Invested in capital assets	4,537,851	-	-	-	4,537,851
Restricted	5,085,129	-	-	2,500,000	7,585,129
Unrestricted	27,861,441	111,540,281	48,583,940	1,252,803	189,238,465
Total net position	$ 37,484,421	$ 111,540,281	$ 48,583,940	$ 3,752,803	$ 201,361,445

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, 2019

	Property & Liability	Workers' Compensation	Health Benefits	CIPA	Total
OPERATING REVENUES:					
Premium deposits from members	$ 54,590,491	$ 38,445,770	$ 156,504,511	$ 4,708,215	$ 254,248,987
Other income	653,794	484	880	22,598	677,756
Total operating revenues	55,244,285	38,446,254	156,505,391	4,730,813	254,926,743
OPERATING EXPENSES:					
Claims expense, net of reimbursements of $34,803,941	37,211,510	11,616,540	77,159,854	563,203	126,551,107
Provision for IBNR and case reserves	20,510,513	6,135,859	415,789	1,205,034	28,267,195
Provision for ULAE reserves	185,258	537,445	31,051	119,764	873,518
Excess/reinsurance premiums	11,527,752	1,701,417	5,284,823	1,021,338	19,535,330
Health benefits insurance premiums	-	-	62,157,909	-	62,157,909
Contract services	1,865,009	2,641,197	4,690,860	1,326,063	10,523,129
Loss control and risk management	3,002,713	995,812	168,390	-	4,166,915
General and administrative	4,729,498	2,123,231	2,129,327	222,415	9,204,471
Premium dividends	-	7,506,189	6,041,443	-	13,547,632
Total operating expenses	79,032,253	33,257,690	158,079,446	4,457,817	274,827,206
Operating income (loss)	(23,787,968)	5,188,564	(1,574,055)	272,996	(19,900,463)
NON-OPERATING REVENUES (EXPENSES):					
Interest and dividend income, net of fees	3,600,383	4,451,615	1,271,249	119,136	9,442,383
Net unrealized gain (loss) on investments	3,360,121	4,015,224	-	41,545	7,416,890
Total non-operating income	6,960,504	8,466,839	1,271,249	160,681	16,859,273
Income (loss) before transfers	(16,827,464)	13,655,403	(302,806)	433,677	(3,041,190)
Transfers in (out)	2,327,775	-	(2,327,775)	-	-
Increase (decrease) in net position	(14,499,689)	13,655,403	(2,630,581)	433,677	(3,041,190)
Net position, beginning of year	51,984,110	97,884,878	51,214,521	3,319,126	204,402,635
Net position, end of year	$ 37,484,421	$ 111,540,281	$ 48,583,940	$ 3,752,803	$ 201,361,445

See accompanying note to supplementary information.

ALLIANCE OF SCHOOLS FOR COOPERATIVE INSURANCE PROGRAMS

COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	Property & Liability	Workers' Compensation	Health Benefits	CIPA	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from premium contributions and other income	$ 48,846,625	$ 38,238,849	$ 154,261,551	$ 12,838,825	$ 254,185,850
Cash paid for claims	(37,211,510)	(11,616,540)	(77,159,854)	(563,198)	(126,551,102)
Cash paid to benefits, insurance, and other expenses	(16,546,500)	(9,984,144)	(80,496,232)	(5,847,234)	(112,874,110)
Cash paid to employees	(3,388,712)	(1,086,115)	(1,420,292)	-	(5,895,119)
Cash paid to pension plan and retirees	(294,545)	(101,757)	(139,628)	-	(535,930)
Net cash provided (used) by operating activities	(8,594,642)	15,450,293	(4,954,455)	6,428,393	8,329,589
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(242,915)	-	-	-	(242,915)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(50,254,405)	(178,156,078)	-	(7,188,411)	(235,598,894)
Proceeds from sale or maturity of investments	57,860,256	134,538,575	-	3,813,344	196,212,175
Interest and investment income received	3,538,641	4,464,960	1,148,338	98,049	9,249,988
Net cash provided (used) by investing activities	11,144,492	(39,152,543)	1,148,338	(3,277,018)	(30,136,731)
Net increase (decrease) in cash and cash equivalents	2,306,935	(23,702,250)	(3,806,117)	3,151,375	(22,050,057)
Cash and cash equivalents, beginning of year	15,614,767	46,913,738	66,822,439	254,573	129,605,517
Cash and cash equivalents, end of year	$ 17,921,702	$ 23,211,488	$ 63,016,322	$ 3,405,948	$ 107,555,460
RECONCILIATION TO STATEMENT OF NET POSITION					
Cash and Cash Equivalents	$ 9,843,266	$ 20,065,560	$ 63,016,322	$ 3,405,948	$ 96,331,096
Restricted Cash and Cash Equivalents	8,078,436	3,145,928	-	-	11,224,364
Cash and cash equivalents, end of year	$ 17,921,702	$ 23,211,488	$ 63,016,322	$ 3,405,948	$ 107,555,460
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	$ (23,787,968)	$ 5,188,564	$ (1,574,055)	$ 272,996	$ (19,900,463)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	331,381	-	-	-	331,381
(Increase) decrease in:					
Accounts receivables	(5,120,670)	(348,101)	(2,243,840)	(2,096,316)	(9,808,927)
Prepaid expenses and other assets and deposits	(15,225)	-	-	(4,343,945)	(4,359,170)
Deferred outflows of resources	126,079	37,787	59,092	-	222,958
Increase (decrease) in:					
Accounts payable and other liabilities	183,213	4,181,955	(1,587,360)	1,066,527	3,844,335
Unearned premium revenues	-	-	(12)	10,204,328	10,204,316
Risk management deposit fund	(892,925)	(243,357)	-	-	(1,136,282)
Unpaid claims and claim adjustment expense	20,695,771	6,673,304	446,840	1,324,803	29,140,718
Net pension liability	(54,044)	(18,597)	(25,434)	-	(98,075)
Total OPEB liability	30,768	10,059	13,149	-	53,976
Deferred inflows of resources	(91,022)	(31,321)	(42,835)	-	(165,178)
Net cash provided (used) by operating activities	$ (8,594,642)	$ 15,450,293	$ (4,954,455)	$ 6,428,393	$ 8,329,589
NONCASH INVESTING ACTIVITIES					
Net increase (decrease) in fair value of investments	$ (4,245,730)	$ 47,632,727	$ -	$ 3,437,699	$ 46,824,696

NOTE TO ADDITIONAL INFORMATION
JUNE 30, 2019

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.

OTHER INDEPENDENT AUDITOR'S REPORT

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, 2019, 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 20, 2019. 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.

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.

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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 CPAs

GILBERT CPAs
Sacramento, California

November 20, 2019