



Financial Statements with  
Independent Auditor's Report  
June 30, 2020 and 2019

# Municipal Pooling Authority

**MUNICIPAL POOLING AUTHORITY  
ANNUAL REPORT**

**TABLE OF CONTENTS  
JUNE 30, 2020 and 2019**

---

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	19
Statement of Revenues, Expenses and Changes in Net Position	20
Statement of Cash Flows	21
Notes to Financial Statements	22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios	53
Schedule of Pension Plan Contributions	54
Schedule of Changes in the Net OPEB Liability and Related Ratios	55
Schedule of OPEB Plan Contributions	56
Reconciliation of Claims Liability by Program	57
Claims Development Information	59
Notes to the Required Supplementary Information	61
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Combining Statement of Net Position	63
Combining Statement of Revenues, Expenses and Changes in Net Position	64
<b>OTHER INFORMATION</b>	
Graphical Summary Claims	66



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Municipal Pooling Authority of Northern California  
Walnut Creek, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Pooling Authority of Northern California (Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management of the Authority 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Summarized Comparative Information*

We have previously audited the 2019 financial statements of the Authority, and we expressed an unmodified audit opinion on those financial statements in our report dated December 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the authority's proportionate share of the net pension liability, the schedule of pension contributions, schedule of changes in net other post-employment benefits liability and related ratios, the reconciliation of claims liabilities by program, and claims development information on pages 53 to 56 and 57 to 61 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority. The combining statement of net position, combining statement of revenues, expenses and changes in net position and graphical summary of claims are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statement of net position, and the combining statement of revenues, expenses and changes in net position is the responsibility of management and was derived from and relates 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, the combining statement of net position, and the combining statement of revenues, expenses and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The graphical summary of claims has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Eide Bailly LLP*

San Mateo, California  
November 30, 2020

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

# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

---

### INTRODUCTION

This section of the Municipal Pooling Authority (Authority)'s annual financial report presents management's discussion and analysis of its financial performance during the fiscal year ended June 30, 2020. We encourage readers to evaluate the information presented here along with the additional information included in the financial statements.

The Authority is a public agency created on July 1, 1977, by municipalities under a Joint Powers Agreement, and provides pooled risk programs to our twenty members. Utilizing various forms of self-insurance, pooled excess programs and group purchase agreements, the Authority provides multiple lines of coverage and claims administrative services.

### EXECUTIVE SUMMARY

Over the past two fiscal periods, net position increased \$14.2 million. This 91 percent increase was a result of the following:

- Assets have increased \$20.9 million to \$81.5 million over the past two years. Of that amount, the Authority's Workers' Compensation and General Liabilities Programs represent \$78.8 million with all the other Authority programs making up the remaining \$2.7 million of assets.
- Total claims liabilities have increased from \$44.6 million to \$49.2 million over the past two years. This represents an increase of \$4.6M or 10 percent because of increases in open and reported claims and reserves in 2020 based upon annual actuarial valuation reports for the Workers' Compensation and General Liability Programs.
- The Authority's cash and investment holdings have increased \$21.8 million over the past two years. The June 30, 2020 cash holdings totaled \$79.3 million with 26.6 percent held in governmental investment pools and demand accounts and 73.4 percent managed by PFM.
- The Authority's General Liability Program and Workers' Compensation Program rates were funded at the 80 percent Confidence Levels in 2020, 2019 and 2018. Rates for these programs are based upon annual actuarial valuation reports.
- The General Liability and Workers' Compensation programs did not issue dividends during fiscal years 2019 and 2018. During the year ended June 30, 2020, the Workers' Compensation Program declared a policyholder dividend of \$900 thousand and the General Liability Program declared a policyholder dividend of \$1.1 million.

### DESCRIPTION OF BASIC FINANCIAL STATEMENTS AND FINANCIAL REPORTING

All the activities of the Authority are classified as "business-type activities." These activities include the development and operation of public entity risk pools and the purchase of insurance-related services for members. These financial statements consist of three parts – management's discussion and analysis, the basic financial statements and supplementary information.

# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

The statement of net position and statement of revenues, expenses and changes in net position provide an indication of the Authority's financial health as well as an indication of the net position available for various future purposes. The statement of net position includes all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting.

The statement of revenues, expenses and changes in net position reports the revenues and expenses during the fiscal years indicated. The statement of cash flows reports the cash provided and used by operating activities, as well as other cash sources. The basic financial statements also include the notes to the financial statements section, which provides more detailed data for selected information in the financial statements.

This report contains other required supplementary information and supplementary information in addition to the basic financial statements. As a public entity risk pool, under government accounting standards, a reconciliation of claims liabilities by type of contract and claims development information are required elements of supplemental information.

### CONSOLIDATED STATEMENT OF NET POSITION

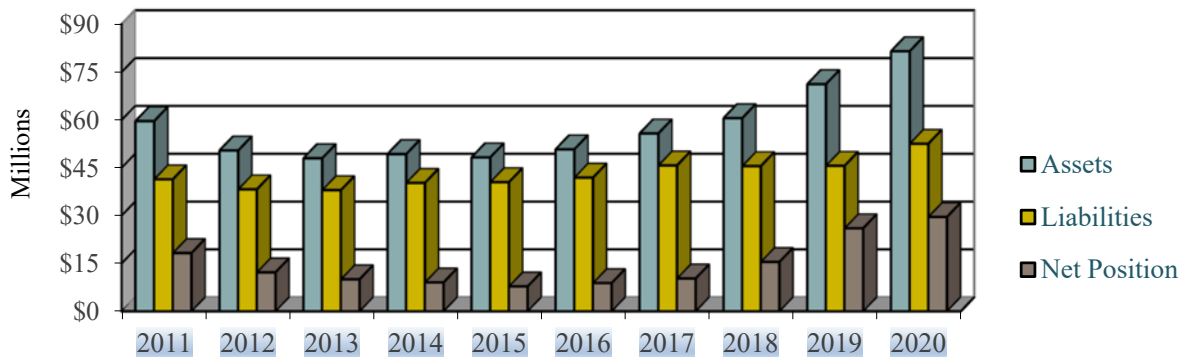
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
Cash and investments	\$ 79,262,384	\$ 68,814,734	\$57,502,554
Receivables	1,332,072	1,521,834	2,084,516
Prepaid expenses	65,646	52,373	53,944
Capital assets	887,190	834,156	906,786
Total assets	<u>81,547,292</u>	<u>71,223,097</u>	<u>60,547,800</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>626,506</u>	<u>452,032</u>	<u>494,408</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Unearned premiums	8,299	9,920	10,428
Payables	2,532,276	258,293	184,729
Compensated absences	42,259	27,730	17,967
Unpaid claims	10,500,000	11,000,000	12,000,000
Total current liabilities	<u>13,082,834</u>	<u>11,295,943</u>	<u>12,213,124</u>
Noncurrent Liabilities:			
Compensated absences	165,677	145,501	109,237
Unpaid claims	38,638,000	33,565,000	32,583,765
Net pension liability	453,381	368,247	382,481
Net OPEB liability	185,304	229,680	215,572
Total noncurrent liabilities	<u>39,442,362</u>	<u>34,308,428</u>	<u>33,291,055</u>
Total liabilities	<u>52,525,196</u>	<u>45,604,371</u>	<u>45,504,179</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>77,680</u>	<u>57,584</u>	<u>82,144</u>
<b>NET POSITION</b>	<u>\$ 29,570,922</u>	<u>\$ 26,013,174</u>	<u>\$ 15,455,885</u>



# MUNICIPAL POOLING AUTHORITY

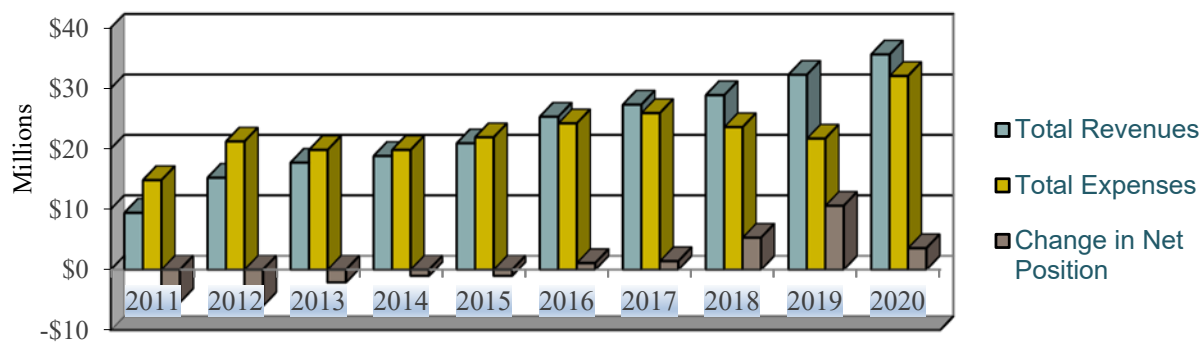
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019



### CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

	2020	2019	2018
<b>REVENUES</b>			
Premiums Earned	\$ 31,895,110	\$ 29,084,185	\$ 27,322,613
Investment Income	3,270,291	2,585,514	397,030
Other Income	436,054	571,960	1,142,813
Total Income	<u>35,601,455</u>	<u>32,241,659</u>	<u>28,862,456</u>
<b>EXPENSES</b>			
Net Claims Paid	10,820,159	8,612,686	11,923,713
Increase/Decrease in Reserves	4,573,000	(18,765)	(531,458)
Claims Admin./Auditing/Actuarial	703,053	516,703	394,324
Excess Insurance	9,996,078	8,937,253	8,378,674
Policyholder Dividend	2,000,000	-	-
General and Administrative Costs	3,951,417	3,636,493	3,409,718
Total Expenses	<u>32,043,707</u>	<u>21,684,370</u>	<u>23,574,971</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 3,557,748</u>	<u>\$ 10,557,289</u>	<u>\$ 5,287,485</u>



## MUNICIPAL POOLING AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

---

#### 2019-2020 FINANCIAL HIGHLIGHTS

- The Authority's assets of \$81.5 million exceeded its liabilities of \$52.5 million, plus net deferred pensions and OPEB of \$548.8 thousand, resulting in total net position of \$29.6 million on June 30, 2020. This is an increase of \$3.6 million from the previous year.
- Total operating revenues were \$31.9 million, which compares to \$29.1 million from the previous year's operations, representing an increase of \$2.8 million or 9.7 percent. This is as a result of premium increases in various programs and also increases in members' payroll of which those premiums are calculated upon. For the Authority's General Liability and Workers' Compensation Programs, rates were funded at a confidence level of 80% for both 2020 and 2019. Rates for these programs are based upon annual actuarial valuation reports.
- Total operating expenses were \$32.0 million, which compares to \$21.7 million from the previous year's operations, representing an increase of \$10.3 million or 47.8 percent. This is primarily driven by a \$4.6 million increase in the actuarially calculated unpaid claims liability, a \$2.2 million increase in net paid claims, a \$1 million increase in premiums for excess insurance, and a \$2 million non-recurring policyholder dividend.
- Operating expenses exceeded operating revenues by \$141.4 thousand. This combined with the non-operating net income of \$3.7 million resulted in an increase of net position of \$3.6 million. The comparative figure for the prior year's change in net position of \$10.6 million equates to a net difference of \$7 million.
- Total non-operating revenues were \$3.7 million, which compares to \$3.2 million from the previous year's operation, representing an increase of \$549 thousand or 17.4 percent. Refunds from excess carriers and others decreased by \$136 thousand in the current year over the prior year. Refunds were received in 2020 from excess carriers as follows: ERMA - \$226,566 and from CARMA - \$202,163. Investment income was \$3.3 million, which compares to \$2.6 million from the previous year, representing an increase of \$685 thousand or 26.5 percent due to an additional \$9M in investments and higher rates of return.
- The provision for unpaid claims increased \$4.6 million from \$44.5 million to \$49.1 million. There was an increase of \$2.7 million in net Reported claims and an increase of \$1.6 million in Incurred but not reported (IBNR).
- Estimated liability for unallocated loss adjustment expense (ULAE) increased \$318 thousand from \$2.4 million to \$2.7 million. The method used for the current year is based on actuarial estimates using open claims as a factor.

# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

---

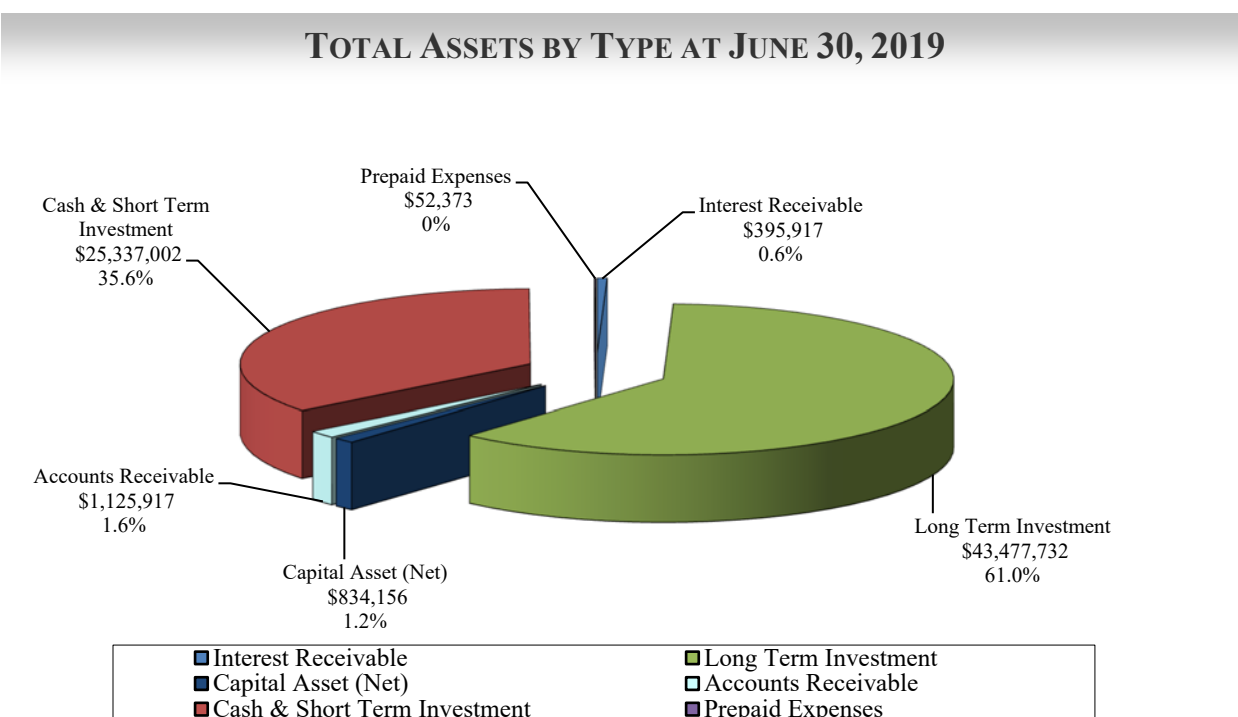
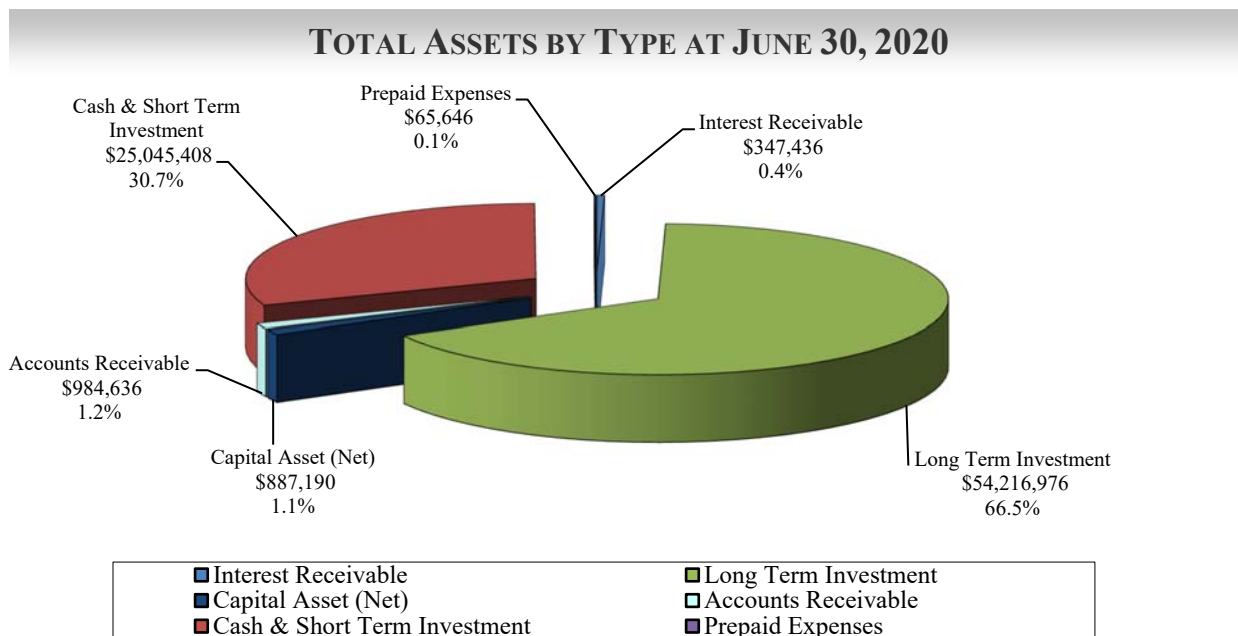
### 2018-2019 FINANCIAL HIGHLIGHTS

- The Authority's assets of \$71.2 million exceeded its liabilities of \$45.6 million, plus net deferred pensions/OPEB of \$394 thousand, resulting in total net position of \$26.0 million on June 30, 2019. This is an increase of \$10.6 million from the previous year.
- Total operating revenues were \$29.1 million, which compares to \$27.4 million from the previous year's operations, representing an increase of \$1.7 million or 6.2 percent. This is as a result of premium increases in various programs and also increases in members' payroll of which those premiums are calculated upon. For the Authority's General Liability and Workers' Compensation Programs, rates were funded at a Confidence Level of 80% for both 2020 and 2019. Rates for these programs are based upon annual actuarial valuation reports.
- Total operating expenses were \$21.7 million, which compares to \$23.6 million from the previous year's operations, representing a decrease of \$1.9 million or 8.0 percent. This is primarily as a result of decrease in claims reserves, offset by increased insurance premiums, claims administration, direct operating costs, including state fees, and general and administration costs.
- The total net operating income equaled \$7.4 million. This combined with the non-operating income of \$3.2 million resulted in a net gain of \$10.6 million. The comparative figure for the prior year's gain of \$5.3 million equates to a net difference of \$5.3 million.
- Total non-operating revenues were \$3.2 million, which compares to \$1.5 million from the previous year's operation, representing an increase of \$1.7 million or 112.6 percent. Refunds from excess carriers and others decreased by \$520 thousand in the current year over the prior year. Refunds were received in 2019 from excess carriers as follows: ERMA - \$565,094 and in 2018 as follows: ERMA - \$540,955 and CARMA - \$512,765. Investment income (excluding market value adjustments) was \$1.5 million, which compares to \$841 thousand from the previous year, representing an increase of \$640.8 thousand or 76 percent due to an additional \$11 million in investments and higher rates of return. Market value adjustments in 2019 were \$1.1 million which compares to \$(444) thousand from the previous year, representing an increase of \$1.6 million or 349 percent.
- The provision for unpaid claims decreased \$550 thousand from \$44.58 million to \$44.57 million. There was an increase of \$26 thousand in reported claims and a net decrease of \$71.9 thousand in Incurred but not reported (IBNR).
- Estimated liability for unallocated loss adjustment expense (ULAE) increased \$27.0 thousand from \$2.36 million. The method used for the current year is based on actuarial estimates using open claims as a factor.

# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

The following charts depict the make-up of the Authority's assets. Cash and investments at June 30, 2020 and 2019 are \$79.3 million and \$68.8 million, respectively. The total increase was \$10.4 million or 15.2 percent. The Local Agency Investment Fund (LAIF) balance increased \$494 thousand, while California Asset Management Program (CAMP) pool decreased by \$2.8 million and managed investments increased by \$11.3 million.

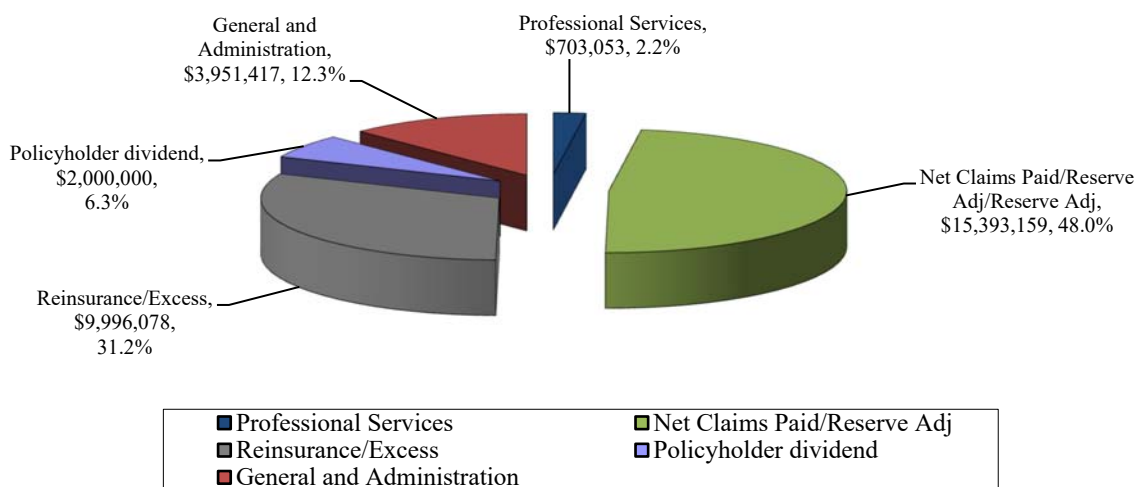


# MUNICIPAL POOLING AUTHORITY

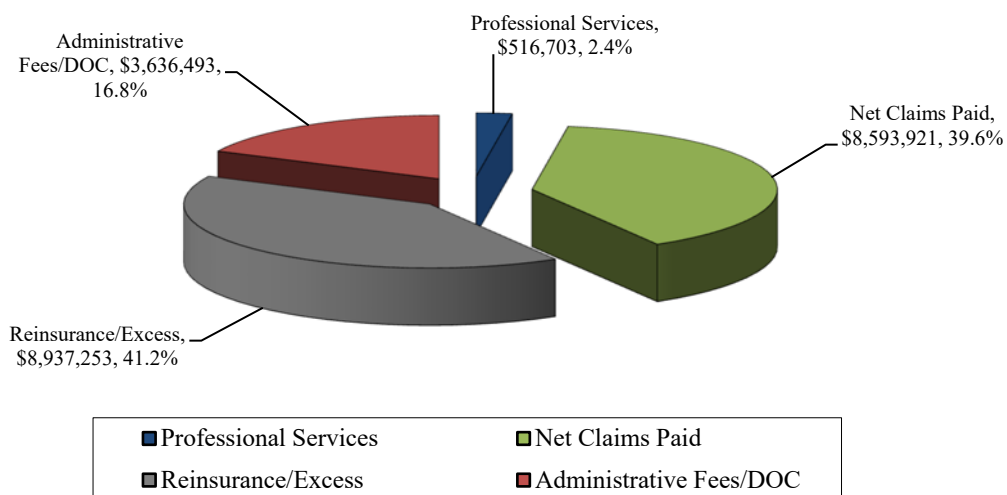
## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

The following charts depict the Authority's comparative expenses for each fiscal year. Total expenses for 2020 are \$32.0 million compared to \$21.7 million in 2019, which is an increase of \$10.0 million or 47.8 percent. The increase is primarily a result of an increases in claims paid and claim reserves, increased insurance premiums, and a policyholder dividend.

### EXPENSES FOR THE YEAR ENDED JUNE 30, 2020



### EXPENSES FOR THE YEAR ENDED JUNE 30, 2019



# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

---

### DESCRIPTION OF THE AUTHORITY'S PROGRAMS

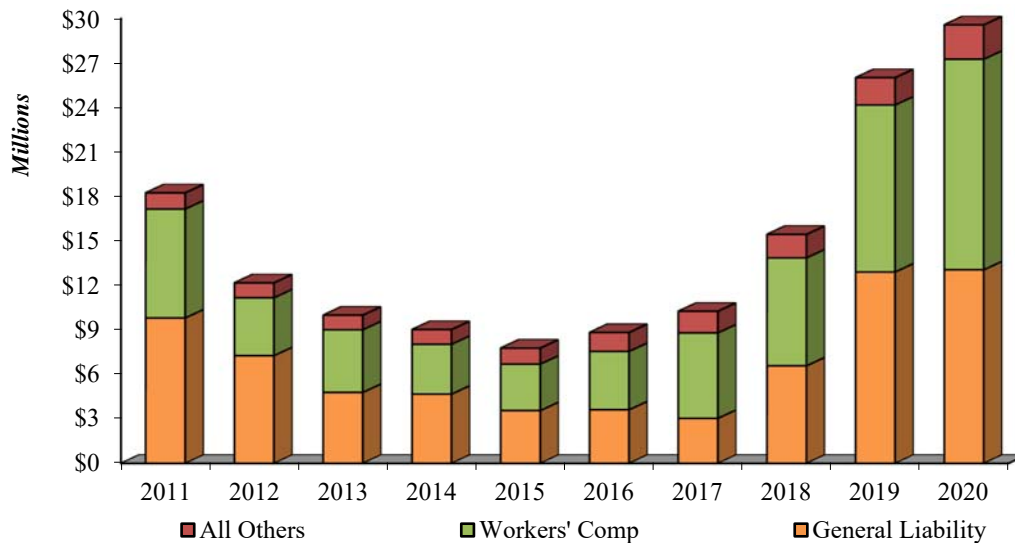
The Authority's general objectives are to formulate, develop and administer, on behalf of its members, a program of insurance; to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Twenty towns and cities around the Bay Area participate in the Authority's programs.

As of June 30, 2020, the Authority had membership in the following insurance programs:

- General Liability
- Workers' Compensation
- Vehicle
- Short/Long Term Disability
- Property
- Wellness
- Life
- Employee Assistance Program

The Authority's Risk Control is funded through premium contributions and is part of the General Liability and Workers' Compensation programs. In February 2018, MPA outsourced the majority of these services.

### NET POSITION ANALYSIS BY PROGRAM



# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

### FINANCIAL HIGHLIGHTS BY PROGRAM:

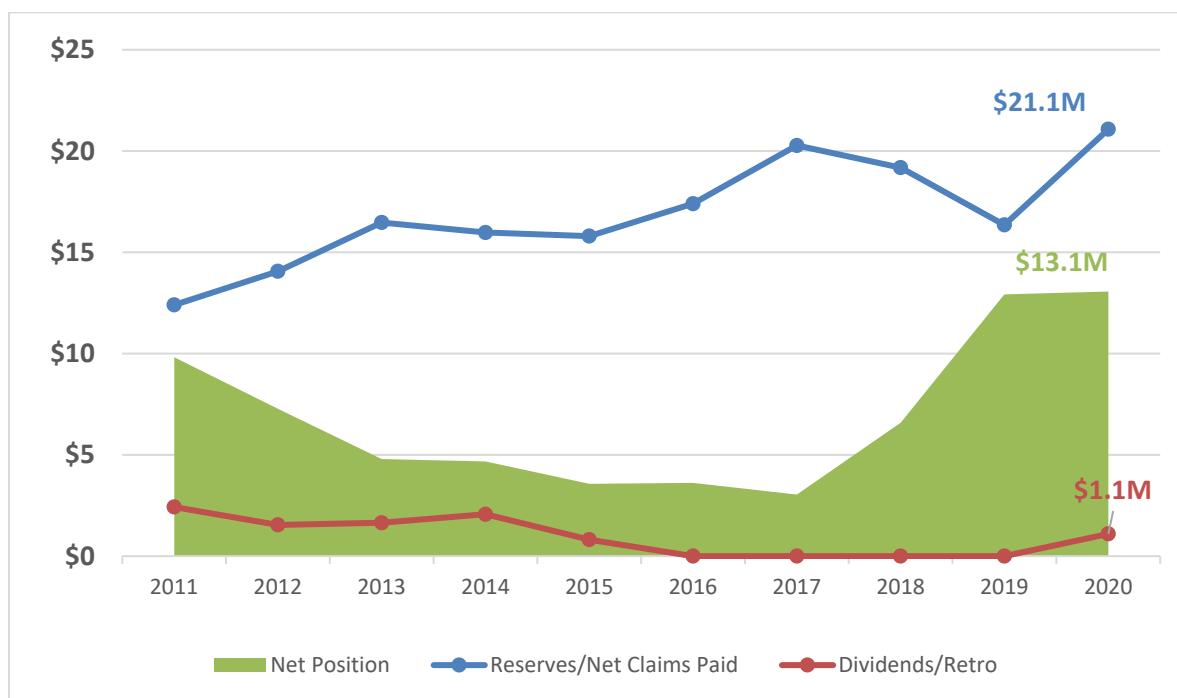
#### General Liability Program

For the year ending June 30, 2020, the General Liability Program had a year-end gain of \$150.4 thousand bringing the total net position to \$13.1 million. The General Liability Program rates were set at the 80% confidence level. Revenues were higher because of premium increases and also increases in members' payroll of which those premiums are calculated upon. For the current year, net claims paid, and reserves increased by \$6.0 million. Policyholder dividends were declared during this fiscal year in the amount of \$1.1 million. With assets at June 30, 2020 of \$32.1 million, the confidence level is above 90%.

For the year ending June 30, 2019, the General Liability Program had a year-end gain of \$6.3 million bringing the total net position to \$12.9 million. The General Liability Program rates were set at the 80% confidence level. Revenues were higher because of premium increases and also increases in members' payroll of which those premiums are calculated upon. In addition, rebates were received from ERMA in the amount of \$565 thousand. For the year, net claims paid, and reserves decreased by over \$2.8 million. Policyholder dividends were not declared during this fiscal year. With assets at June 30, 2019 of \$27.3 million, the confidence level is above 90%.

Claims frequencies have increased over the prior year and exceed the previous high amount in 2017 (see page 66 for more details). The graph below depicts a historical, ten-year fund recap.

**NET POSITION/RESERVES BY PROGRAM YEAR**



# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

### Workers' Compensation Program

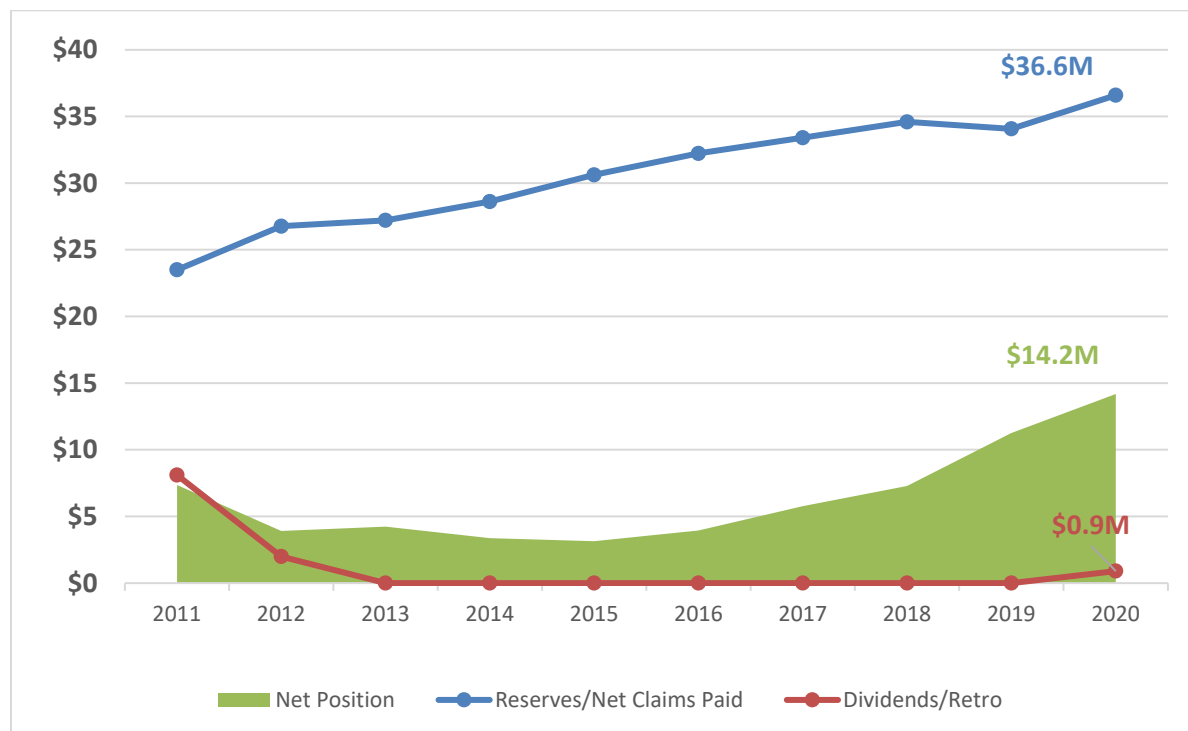
For the year ending June 30, 2020, the Workers' Compensation Program had a year-end gain of \$2.9 million, bringing the total net position to \$14.2 million. For the current year, the Workers' Compensation Program rates were set at the 80% confidence level. Revenues were higher because of premium increases and also increases in members' payroll of which those premiums are calculated upon. For the current year, net claims paid, and reserves increased by over \$860 thousand. Policyholder dividends were declared during this fiscal year in the amount of \$900 thousand. With assets at June 30, 2020 of \$46.7 million, the confidence level is above 90%.

For the year ending June 30, 2019, the Workers' Compensation Program had a year-end gain of \$3.97 million, bringing the total net position to \$11.3 million. For the current year, the Workers' Compensation Program rates were set at the 80% confidence level. Revenues were higher because of premium increases and also increases in members' payroll of which those premiums are calculated upon. For the year, net claims paid, and reserves decreased by over \$0.5 million. Dividends were not declared during this fiscal year. With assets at June 30, 2019 of \$41.9 million, the confidence level is above 90%.

While claims frequencies have been relatively constant between 2011 through 2020, 2017 saw the highest level in over 10 years; while 2020 shows a slight increase over the prior year (see page 66 for more details).

The graph below depicts a historical, ten-year fund recap.

**NET POSITION/RESERVES BY PROGRAM YEAR**





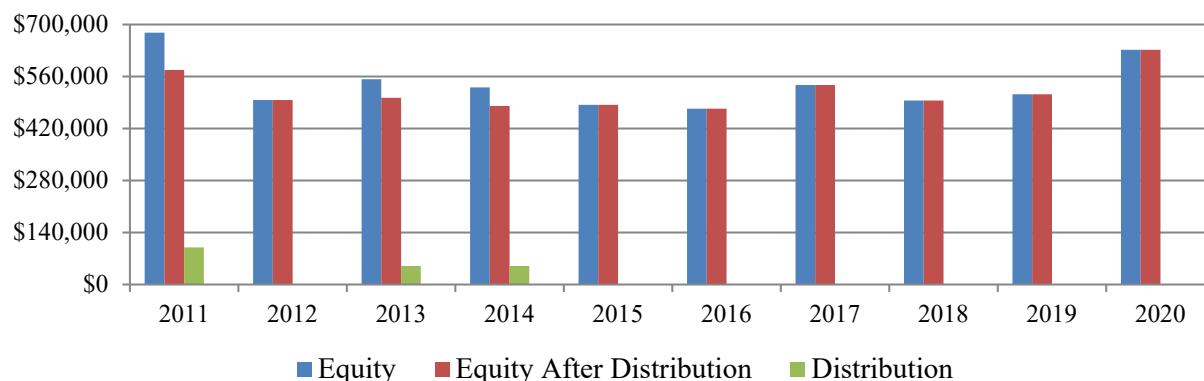
# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

### Vehicle Physical Damage Program

For the year ending June 30, 2020, the Vehicle Program had \$114.6 thousand in net losses paid (net of subrogation) compared to \$221.4 thousand in 2019, which is a decrease of \$106.8 thousand or 48.2 percent. There was no dividend awarded this year. The program had a gain of \$120.1 thousand for 2020. The 2020 year-end net position totals \$631.9 thousand. This exceeds the targeted net position of \$475 thousand.

For the year ending June 30, 2019, the Vehicle Program had \$221.4 thousand in net losses paid (net of subrogation) compared to \$214.6 thousand in 2018, which is an increase of \$6.8 thousand or 3.2 percent. There was no dividend awarded this year. The program had a gain of \$16.6 thousand for 2019. The 2019 year-end net position totals \$512 thousand. This exceeds the targeted net position of \$475 thousand.



### Short Term Disability/Long Term Disability

The Short-Term Disability (STD) Program is self-funded to 90 days. From July 1, 2019 through February 29, 2020, claims were administered by The Standard. On March 1, 2020, the Authority contracted with Voya for this service. After 90 days, if the STD claim is still open, the claim is transferred to LTD coverage and is fully insured with Voya. Members have benefitted from the reduced rates provided by Voya.

For the year ending June 30, 2020, the Authority continues to see volatility in the STD claims. The June 30, 2020 claim levels of \$169.4 thousand was more than the \$96.7 thousand reported in the previous year. The June 30, 2020 amount is higher than the previous peak claim level of \$124.2 thousand in 2018. Total claims remain relatively high with the claim incidence and duration higher than what underwriting would normally expect to see. As a result of rate increases over the last few years, the program’s net position has begun to grow. The year-end balance has increased from \$575.6 thousand in 2019 to \$755.4 thousand in 2020.

For the year ending June 30, 2019, the Authority continues to see volatility in the STD claims. The June 30, 2019 claim levels of \$96.7 thousand was less than the \$124.2 thousand reported in the previous year. Prior to that, the previous peak claim level of \$109.2 thousand was seen in 2015. Total claims remain relatively high with the claim incidence and duration higher than what underwriting would normally expect to see. As a result of rate increases over the last few years, the program’s net position has begun to grow. The year-end balance has increased from \$433.7 thousand in 2018 to \$575.6 thousand in 2019.

# MUNICIPAL POOLING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019

---

### Property Program

For the year ending June 30, 2020, the Property Program continues to be insured through Alliant Insurance Services Public Entity Property Insurance Program (PEPIP). The Authority provides All-Risk, Flood, Fine Arts, and Boiler and Machinery insurance. Deadly Weapons Response insurance was added effective July 1, 2019. The Authority adjusts the base PEPIP rates to cover general and administration costs. The June 30, 2020 Property Program insurance costs of \$1.9 million was \$208 thousand more than the \$1.7 million reported in the previous year. The 2020 year-end net position totals \$185.8 thousand.

For the year ending June 30, 2019, the Property Program continues to be insured through Alliant Insurance Services Public Entity Property Insurance Program (PEPIP). The Authority provides All-Risk, Flood, and Boiler and Machinery insurance. The Authority adjusts the base PEPIP rates to cover general and administration costs. The June 30, 2019 insurance costs of \$1.7 million was \$286 thousand more than the \$1.4 million reported in the previous year. The 2019 year-end net position totals \$151.5 thousand.

### Wellness Program

The Authority offers its members a comprehensive wellness program and partners with vendors to promote health, fitness and safety. There was a rate increase in 2020 generating an additional \$8 thousand of revenue over the prior year, as the Authority enhanced its Wellness Program. The program net position totals for the fiscal year end 2020 and 2019 were \$56.3 and \$23.5 thousand, respectively.

### Life and other Employee Benefit Programs

The Authority continues to provide other benefit programs through group purchase arrangements.

The Authority provides Basic Life, AD&D and supplemental life insurance. From July 1, 2019 through February 29, 2020, claims were administered by The Standard. On March 1, 2020, the Authority contracted with Voya for this service. The Authority adjusts the base Voya rates to cover general and administration costs. The program net position totals for fiscal year end 2020 and 2019 were \$147.0 thousand and \$118.5 thousand, respectively.

The Dental program renewed on January 1, 2020 with no rate changes for the program year and on April 1, 2020 the Dental program received an out of cycle 5% rate reduction.

Effective September 1, 2019, the Authority contracted with Claremont to provide its members with an employee assistance program. Previously, the Authority's members contracted directly with PRISM to provide these benefits. For the current year, no adjustment was made to the rates to cover general and administration costs.

# **MUNICIPAL POOLING AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE AS OF JUNE 30, 2019**

---

### **FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. If you have questions about this report or need additional financial information, contact Finance Manager Frank Williamson at:

Municipal Pooling Authority  
PO Box 67  
Walnut Creek, CA, 94597

## **BASIC FINANCIAL STATEMENTS**

# MUNICIPAL POOLING AUTHORITY

## STATEMENT OF NET POSITION JUNE 30, 2020 AND COMPARATIVE 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets		
Cash and deposits	\$ 2,896,200	\$ 1,406,770
Investments	22,149,208	23,930,232
Receivables		
Member agencies and other	555,907	399,714
Interest	347,436	395,917
Dividends/Excess	428,729	726,203
Prepaid expense	65,646	52,373
Total Current Assets	<u>26,443,126</u>	<u>26,911,209</u>
Noncurrent Assets		
Investments	54,216,976	43,477,732
Capital assets, net of accumulated depreciation	887,190	834,156
Total Noncurrent Assets	<u>55,104,166</u>	<u>44,311,888</u>
Total Assets	<u>81,547,292</u>	<u>71,223,097</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pensions	558,768	381,450
Deferred outflows from OPEB	67,738	70,582
Total Deferred Outflows of Resources	<u>626,506</u>	<u>452,032</u>
<b>LIABILITIES</b>		
Current Liabilities		
Payables	532,276	258,293
Policyholder dividends payable	2,000,000	-
Compensated absences	42,259	27,730
Unearned premiums	8,299	9,920
Unpaid claims	10,500,000	11,000,000
Total Current Liabilities	<u>13,082,834</u>	<u>11,295,943</u>
Noncurrent Liabilities		
Compensated absences	165,677	145,501
Unpaid claims	38,638,000	33,565,000
Net pension liability	453,381	368,247
Net OPEB liability	185,304	229,680
Total Noncurrent Liabilities	<u>39,442,362</u>	<u>34,308,428</u>
Total Liabilities	<u>52,525,196</u>	<u>45,604,371</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pensions	18,030	25,396
Deferred inflows from OPEB	59,650	32,188
Total Deferred Inflows of Resources	<u>77,680</u>	<u>57,584</u>
<b>NET POSITION</b>		
Investment in capital assets	887,190	834,156
Unrestricted	28,683,732	25,179,018
Total Net Position	<u>\$ 29,570,922</u>	<u>\$ 26,013,174</u>

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

## MUNICIPAL POOLING AUTHORITY

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2020 AND COMPARATIVE 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Premiums earned	\$ 31,895,110	\$ 29,084,185
Other operating revenue	7,204	6,861
Total Operating Revenues	<u>31,902,314</u>	<u>29,091,046</u>
Operating Expenses		
Claims expense	15,393,159	8,593,921
Claims administration	703,053	516,703
Insurance	9,996,078	8,937,253
Policyholder dividend	2,000,000	-
General and administration	3,951,417	3,636,493
Total Operating Expenses	<u>32,043,707</u>	<u>21,684,370</u>
Net Operating Income (loss)	<u>(141,393)</u>	<u>7,406,676</u>
Non-operating Revenues		
Refund from excess carrier/other	428,729	565,099
Investment income	3,270,291	2,585,514
Other non-operating revenue	121	-
Total Non-operating Revenues	<u>3,699,141</u>	<u>3,150,613</u>
Change in Net Position	3,557,748	10,557,289
Net Position - Beginning of Year	26,013,174	15,455,885
Net Position - End of Year	<u>\$ 29,570,922</u>	<u>\$ 26,013,174</u>

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

# MUNICIPAL POOLING AUTHORITY

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND COMPARATIVE 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Premiums received	\$ 32,021,497	\$ 29,789,050
Claims expenses paid	(10,820,159)	(8,612,686)
Insurance premiums paid	(9,996,078)	(8,937,253)
Vendors paid	(1,890,633)	(1,450,217)
Salaries paid	(2,475,200)	(2,461,663)
Net Cash Flows Provided by Operating Activities	<u>6,839,427</u>	<u>8,327,231</u>
Cash Flows From Capital and Related Financing Activities		
Acquisitions of capital assets	(139,399)	(24,544)
Refund from excess carrier	428,729	565,099
Net Cash Flows Provided by Capital and Related Financing Activities	<u>289,330</u>	<u>540,555</u>
Cash Flows From Investing Activities		
Investment income received	3,318,893	2,444,394
Purchase of investment securities	(74,537,082)	(104,054,539)
Proceeds from sales and maturities of investments	65,578,862	92,033,435
Net Cash Flows Used for Investing Activities	<u>(5,639,327)</u>	<u>(9,576,710)</u>
Net change in cash	1,489,430	(708,924)
Cash at beginning of year	1,406,770	2,115,694
Cash at end of year	<u>\$ 2,896,200</u>	<u>\$ 1,406,770</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (loss)	\$ (141,393)	\$ 7,406,676
Adjustments to reconcile operating income to net cash provided by Operating activities		
Depreciation	86,365	97,174
Change in assets, liabilities, deferred inflows, and deferred outflows:		
Receivables from member agencies	(156,193)	(174,754)
Other receivable	297,474	878,556
Prepaid expenses	(13,273)	1,571
Deferred outflows - pension	(177,318)	63,476
Policyholder dividends	2,000,000	-
Deferred outflows - OPEB	2,844	(21,100)
Accounts Payable	273,983	73,564
Compensated absences	34,705	46,027
Unearned revenue	(1,621)	(508)
Unpaid claim and claim adjustment expenses	4,573,000	(18,765)
Deferred inflows - pension	(7,366)	(21,230)
Deferred inflows - OPEB	27,462	(3,330)
Net pension liability	85,134	(14,234)
Net OPEB liability	(44,376)	14,108
Net Cash Provided by Operating Activities	<u>\$ 6,839,427</u>	<u>\$ 8,327,231</u>
<b>Supplemental Disclosures</b>		
Noncash Investing and Financing Activities		
Increase (decrease) in fair market value of investments	<u>\$ 1,601,886</u>	<u>\$ 1,103,808</u>

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

# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

### NOTE 1. DESCRIPTION OF ENTITY

A. **ORGANIZATION AND OPERATIONS** – The Municipal Pooling Authority (Authority) was organized in July 1977 to provide workers’ compensation, general liability, property, vehicle, short and long term disability, and employee benefits insurance coverage for its member organizations. The Authority was formed according to a Joint Exercise of Powers Agreement and Section 6500 of the California State Government Code. The Authority’s general objectives are to formulate, develop, and administer, on behalf of the member cities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

Underwriting and rate-setting policies have been established after consultation with actuaries. Members may be subject to a supplemental assessment in the event of deficiencies. Annual premium increases are not limited in percentage over the prior year’s premium. If the assets of the Authority were to be exhausted, members would be responsible for the Authority’s liabilities.

Admission of members - Cities in Contra Costa County, San Joaquin County, San Mateo County, or any City in the general geographic area reasonably serviceable from Contra Costa County may become a member of the Authority upon the approval of two-thirds of all members of the Board. Prospective members must apply, including underwriting information, as prescribed in the bylaws. Cities joining the Authority currently have no minimum membership period.

Withdrawal of members - A member may withdraw from the Authority at the end of any fiscal year upon giving six months prior written notice of its intent to withdraw. Upon withdrawal, a member is entitled only to its pro-rata share of the net position balance of the amount paid for the fiscal year in which withdrawal takes place.

The following table illustrates Authority members and programs as of June 30, 2020:

<b>Members</b>	<b>Workers' Compensation</b>	<b>Liability</b>	<b>Property</b>	<b>Vehicle</b>	<b>Disability</b>	<b>Life</b>	<b>Wellness</b>	<b>EAP</b>	<b>Revenue Concentration</b>
City of Antioch	x	x	x	x		x	x	x	11%
City of Brentwood	x	x	x	x	x	x	x	x	10%
City of Clayton	x	x	x	x	x	x	x	x	1%
Town of Danville	x	x	x	x	x	x	x	x	3%
City of El Cerrito	x	x	x	x	x	x	x	x	5%
City of Gilroy		x	x	x					4%
City of Hercules	x	x	x	x	x	x	x	x	2%
City of Lafayette	x	x	x	x	x	x	x	x	1%
City of Manteca	x	x	x	x	x	x		x	10%
City of Martinez	x	x	x	x	x	x	x	x	4%
Town of Moraga	x	x	x	x			x	x	1%
City of Oakley	x	x	x	x			x		3%
City of Orinda	x	x	x	x	x	x	x	x	2%
City of Pacifica	x								4%
City of Pinole	x	x	x	x	x	x		x	4%
City of Pittsburg	x	x	x	x			x	x	11%
City of Pleasant Hill	x	x	x	x	x	x	x	x	4%
City of San Pablo	x	x	x	x	x	x	x	x	5%
City of San Ramon	x	x	x	x			x		9%
City of Walnut Creek	*	x	x	x					6%
*Municipal Pooling Authority	x	x	x		x	x	x	x	-

\*Participates in Excess only



# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

### NOTE 1. DESCRIPTION OF ENTITY, CONTINUED

#### B. PROGRAMS

1. **Workers' Compensation Program** - The Workers' Compensation Fund was established on July 1, 1977 to account for the payment of workers' compensation and administrative costs. Funding is based upon rates established by the Authority's Board. Claims are administered in-house.

The Authority provides the following insurance coverage, deductibles, and self-insured retention (SIR):

Member Deductible:	\$ -
Authority's SIR	\$ 500,000
Excess Insurance:	Workers' Compensation through PRISM
Policy Year:	July 1 to June 30

The SIR's for this program by year are as follows:

<u>Dates</u>	<u>Self-Insured Exposure</u>	<u>Per Occurrence Limit of the Excess Insurance</u>
7/1/08- 6/30/20	\$500,000 per occurrence	Statutory Limits
7/1/03- 6/30/08	\$500,000 per occurrence	\$300 million
7/1/02- 6/30/03	\$400,000 per occurrence	Statutory Limits
7/1/94- 6/30/02	\$350,000 per occurrence	Statutory Limits
7/1/93- 6/30/94	\$350,000 per occurrence	\$6.5 million
7/1/90- 6/30/93	\$350,000 per occurrence	\$5 million
7/1/88- 6/30/90	\$300,000 per occurrence	\$5 million
7/1/86- 6/30/88	\$250,000 per occurrence	\$5 million
7/1/78- 6/30/86	\$200,000 per occurrence	\$5 million

2. **Liability** - The Liability Fund was established July 1, 1977 to account for payment of liability claims and administrative costs. Funding is based upon rates established by the Board. Claims are administered in-house.

Member Deductible:	\$5,000, \$10,000, \$25,000, \$50,000 or \$100,000
Authority's SIR:	\$1,000,000
Excess Insurance:	Excess of \$1,000,000 to \$29,000,000 with California Affiliated Risk Management Authorities (CARMA)
Policy Year:	July 1 to June 30

# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

### NOTE 1. DESCRIPTION OF ENTITY, CONTINUED

3. **Vehicles** – The Vehicle Fund was established July 1, 1991 to account for payment of vehicle claims and administrative costs. The Authority is self-insured up to \$250,000 limit of liability.

Member Deductible:	\$2,000 or \$3,000
Excess Insurance:	None
Policy Year:	July 1 to June 30

4. **Short/Long-Term Disability** – The Long-Term Disability Fund was established in 2003 and was created to account for self-insured Short-Term and fully-insured Long-Term Disability. Funding is based on rates established by the Board. The Board contracted with a third-party administrator, Sun Life Financial, to pay claims on behalf of participating members through March 31, 2011. From April 1, 2011 to February 29, 2020, Standard Insurance took over the claims administration. Effective March 1, 2020, Voya replaced Standard.

Effective September 1, 2005, the STD program was self-insured to 90 days. The long-term coverage was fully insured with Sun Life Financial through March 31, 2011 and was insured with Standard Insurance for the remainder of the year. Sun Life administered the STD program and insured the LTD program through March 31, 2011. Standard Insurance administered the STD program and insured the LTD program from April 1, 2011 to February 29, 2020. Effective March 1, 2020 Voya, replaced Standard.

5. **Property** – The Property Fund was established in 1977 to account for payment of insurance and administrative costs. Coverage's include:

#### All-Risk

Member Deductible:	\$25,000 All-Risk and Copper Theft Claims \$150,000 Water Intrusion Claims
Authority's SIR:	\$0
Excess Insurance:	Excess of \$25,000 or \$150,000 to \$1 billion through various insurers in Alliant Insurance Service's PEPiP Program
Policy Year:	July 1 to June 30

All parties are covered for flood. Flood coverage is subject to a minimum \$100,000 deductible per occurrence except for Zone A and Zone V which is at a \$250,000 deductible per occurrence. The maximum limit for floods is \$25 million.

#### Boiler and Machinery

Member Deductible:	\$5,000
Authority's SIR:	\$0
Excess Insurance:	Excess of \$5,000 to \$100 million through Lexington, CAN and RKH-Lloyds of London
Policy Year:	July 1 to June 30

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### Difference in Conditions

Members may elect to purchase earthquake insurance directly through Alliant or another vendor. Members check their policies for coverage information, including deductibles, insured locations and coverage limits.

6. **Life** – The Life Fund was established to purchase group insurance for this coverage.
7. **Wellness** – The Wellness program provides education to the members' employees on health-related issues and annual screenings for various health related risks.
8. **Facilities Management** – The Facilities Management program records all the activity related to the administration building.
9. **Employee assistance program** – Effective September 1, 2019, the Authority contracted with Claremont to provide its members with an employee assistance program. Previously, the Authority's members contracted directly with PRISM to provide these benefits.

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **REPORTING ENTITY** – The reporting entity includes all activities (operations of its administrative staff, officers, executive committee, and board of directors) as they relate to the Authority. This includes financial activity relating to all the membership years.

The Authority has developed criteria to determine whether other entities with activities that benefit the Authority should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), scope of public service and special financing relationships.

The Authority has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements. In addition, the Authority is not aware of any entity that would exercise such oversight responsibility that would result in the Authority being considered a component unit of that entity.

In determining its reporting entity, the Authority considered all governmental units that were members of the Authority since inception. The criteria did not require that inclusion of these entities in their financial statements principally because the Authority does not exercise oversight responsibility over any members.

- B. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING** – Proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Liabilities for reserves for open claims and claims incurred but not reported have been recorded in the Authority's financial statements.

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- C. **Net Position** – The Authority's net position is required to be classified for accounting and reporting purposes into the following categories:
1. **Investment in Capital Assets** – This component of net position, includes capital assets, net of accumulated depreciation.
  2. **Unrestricted** – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets.”
- D. **CASH AND CASH EQUIVALENTS** – For purposes of the statement of cash flows, cash and cash equivalents include cash in bank, money market accounts, and highly liquid debt instruments purchased with original maturity of three months or less.
- E. **ACCOUNTS RECEIVABLES** – All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2020 and 2019, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.
- F. **INVESTMENTS** – The Authority records its investments in the Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP) at fair market value. Changes in fair market value are reported as revenue in the statement of revenues, expenses, and changes in net position. Fair market values of investments, CAMP and LAIF have been determined by the sponsoring government based on quoted market prices. The Authority's investments in LAIF and CAMP have been valued based on the relative fair value of the entire external pool to the external pool's respective amortized cost.
- G. **CAPITAL ASSETS** – Capital assets are carried at cost net of accumulated depreciation. Depreciation and amortization are provided for over the estimated useful lives of the assets using the straight-line method. The estimate useful life used for building and improvements ranges from fifteen to thirty years. The estimated useful lives used for furniture and equipment range from three to ten years. The software and hardware are depreciated over three years. Land is carried at cost and is not depreciated.
- H. **PENSIONS** - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (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.

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- I. **DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES** – In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

- J. **OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the Authority Retiree Benefits Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- K. **REVENUES AND EXPENSES** - Revenue is recognized when earned. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of premiums received from member agencies. Premiums are recorded on an accrual basis. Operating expenses consist primarily of claims payments, premiums paid for excess insurance, and general administrative expenses. Operating expenses also consist of policyholder dividends which are payments made to policyholders to adjust for favorable actual experience. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.
- L. **MEMBER PREMIUMS** – Premium development is performed by actuaries and the Board of Directors based on the particular characteristics of the members. Premium income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. Premiums are recognized as revenues in the period for which insurance protection is provided. If the Authority's Board of Directors determines that the insurance funds for a program, including any anticipated investment income, are insufficient to pay losses, the Authority may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed. The activities of the Authority consist solely of risk management programs and claims management activities related to the coverages described earlier.

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. **EXCESS INSURANCE** – The Authority uses reinsurance agreements to reduce its exposure to large losses on workers' compensation, general liability and property liability of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Authority as direct insurer of the risks reinsured. The Authority does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

N. **UNPAID CLAIM LIABILITIES (CLAIMS PAYABLE, CLAIMS INCURRED BUT NOT REPORTED, AND LIABILITY FOR UNALLOCATED LOSS ADJUSTMENT EXPENSES)** – Each program establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) 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 annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims 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. The current portion of unpaid claims is based on current year payments and known claim information at the end of the period.

O. **COMPENSATED ABSENCES** – In accordance with the Authority's employee handbook, compensated absences for vacation are accrued at various numbers of days per year depending on each employee's years of service. The Authority's sick leave policy also provides for accumulation of sick leave. The liability for compensated absences at June 30, 2020 and 2019 was \$207,936 and \$173,231, respectively.

P. **MANAGEMENT ESTIMATES** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 95— In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncement section have been updated to reflect the postponed effective dates.

##### Q. New Accounting Pronouncements – Effective in Future Fiscal Years

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The Authority is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021, or fiscal year 2021-22. The Authority is evaluating the impact of this Statement on the financial statements

**GASB Statement No. 89** – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2020, or fiscal year 2021-22. The Authority is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 90** – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The Authority is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 91** – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021, or fiscal year 2022-23. The Authority is evaluating the impact of this Statement on the financial statements.

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

**GASB Statement No. 92** – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021, or fiscal year 2021-22. The Authority is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 93**– In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021, or fiscal year 2021-22. The Authority is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 94**– In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022, or fiscal year 2022-23. The Authority is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 96**– In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022, or fiscal year 2022-23. The Authority is evaluating the impact of this Statement on the financial statements.

**GASB Statement No. 97**– In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021, or fiscal year 2021-22. The Authority is evaluating the impact of this Statement on the financial statements.



## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 3. CASH AND INVESTMENTS

Cash and investments are classified in the financial statements as follows:

Cash consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash on hand and deposits	\$ 2,896,200	\$ 1,406,770
Investments	76,366,184	67,407,964
	<u>\$ 79,262,384</u>	<u>\$ 68,814,734</u>

Investments consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Agency Mortgage-Backed Securities	\$ 945,326	\$ 584,625
Asset-Backed Securities	1,763,970	2,169,449
Certificates of Deposit	4,210,362	3,841,299
Corporate Notes	7,944,635	7,137,788
Federal Agency Bonds	12,687,098	8,942,598
Governmental External Investment Pools	18,164,098	20,530,522
Municipal Bonds	78,499	76,347
Supra-National Agencies	1,049,394	2,280,170
U.S. Government Treasuries	29,522,802	21,845,166
	<u>\$ 76,366,184</u>	<u>\$ 67,407,964</u>

The Authority has cash and investment policies including policies for exposure to credit risk (including custodial credit risk and concentration of credit risk) and interest rate risk.

# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

### NOTE 3. CASH AND INVESTMENTS, CONTINUED

The Authority is authorized under California Government Code to make direct investments in the following:

Investment Type	Maximum Remaining Maturity	Maximum Specified % Of Portfolio	Minimum Quality Requirements	Government Code Sections
Local Agency Bonds	5 Years	None	None	53601(a)
U.S. Treasury Obligations	5 Years	None	None	53601(b)
State Obligations: CA and Others	5 Years	None	None	53601(d)
CA Local Agency Obligations	5 Years	None	None	53601(e)
U.S. Agency Obligations	5 Years	None	None	53601(f)
Bankers' Acceptances	180 days	40%	None	53601(g)
Commercial Paper: Non-pooled Funds	270 days or less	25% of the agency's money	(1)	53601(h)(2)(C)
Commercial Paper: Pooled Funds	270 days or less	40% of the agency's money	(1)	53635(a)(1)
Negotiable Certificates of Deposit	5 Years	30%	None	53601(i)
Non-negotiable Certificates of Deposit	5 Years	None	None	53630 et seq.
Placement Service Deposits	5 Years	30%	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 Years	30%	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>L</sup>	20% of the base value of the portfolio	None	53601(j)
Medium-term Notes	5 years or less	30%	(2)	53601(k)
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple	53601(l) and 53601.6(b)
Collateralized Bank Deposits	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	(2)	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund	N/A	None	None	16340
Supranational Obligations	5 years or less	30%	(2)	53601(q)

<sup>(1)</sup> Highest letter and number rating by a NRSRO

<sup>(2)</sup> "A" rating category or its equivalent or better

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

#### NOTE 3. CASH AND INVESTMENTS, CONTINUED

*Credit Risk* – Generally, 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.

The following is a summary of the credit quality of the Authority's investment portfolio at June 30:

Investment Type	Total Amount	Credit Ratings as of June 30, 2020				
		AAA	AA+	AA	AA-	A+
U.S. Government Treasuries	\$ 29,522,802	\$ -	\$ 29,522,802	\$ -	\$ -	\$ -
Supra-National Agencies	1,049,394	1,049,394	-	-	-	-
Municipal Bonds	78,499	-	-	-	78,499	-
Federal Agency Bond/Note	12,687,098	-	12,687,098	-	-	-
Agency Mortgage-Backed Securities	945,326	-	945,326	-	-	-
Asset-Backed Securities	1,763,970	1,127,341	-	-	-	-
Certificates of Deposit	4,210,362	-	-	-	656,483	571,974
Corporate Notes	7,944,635	326,210	768,290	910,670	1,184,118	1,930,115
Local Agency Investment Fund (LAIF)	12,909,870	-	-	-	-	-
California Asset Management Program (CAMP)	5,254,228	-	-	-	-	-
	<u>\$ 76,366,184</u>	<u>\$ 2,502,945</u>	<u>\$ 43,923,516</u>	<u>\$ 910,670</u>	<u>\$ 1,919,100</u>	<u>\$ 2,502,089</u>

Credit Ratings as of June 30, 2020					
A	A-	A-1+	A-1	BBB+	Unrated
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	636,629
392,422	-	842,518	1,746,965	-	-
1,110,388	1,481,701	-	-	68,249	164,894
-	-	-	-	-	12,909,870
-	-	-	-	-	5,254,228
<u>\$ 1,502,810</u>	<u>\$ 1,481,701</u>	<u>\$ 842,518</u>	<u>\$ 1,746,965</u>	<u>\$ 68,249</u>	<u>\$ 18,965,621</u>

*Custodial Credit Risk* – Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

#### NOTE 3. CASH AND INVESTMENTS, CONTINUED

As of June 30, 2020 and June 30, 2019, the Authority's bank balance of \$3,493,815 and \$2,058,376, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Authority. As of June 30, 2020, and June 30, 2019, \$58,202,086 and \$46,877,442, respectively of the Authority's investment portfolio was exposed to custodial credit risk by not being insured or collateralized.

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Authority's investment policy limits its investment portfolio maturities to no more than five years from purchase date to maturity date.

The following is a summary of the investment maturities at June 30:

Investment Type	Investment Maturities at June 30, 2020			
	Fair Value	<1yr	1-3yrs	3-5yrs
Agency Mortgage-Backed Securities	\$ 945,326	\$ -	\$ 730,158	\$ 215,168
Asset-Backed Securities	1,763,970	-	679,769	1,084,201
California Asset Management Program (CAMP)	5,254,228	5,254,228	-	-
Certificates of Deposit	4,210,362	2,589,483	1,620,879	-
Corporate Notes	7,944,635	695,185	5,271,498	1,977,952
Federal Agency Bond/Note	12,687,098	-	7,104,395	5,582,703
Local Agency Investment Fund (LAIF)	12,909,870	12,909,870	-	-
Municipal Bonds	78,499	-	78,499	-
Supra-National Agencies	1,049,394	700,443	348,951	-
U.S. Government Treasuries	29,522,802	-	21,082,395	8,440,407
Total Investments	<u>\$ 76,366,184</u>	<u>\$ 22,149,209</u>	<u>\$ 36,916,544</u>	<u>\$ 17,300,431</u>

*Concentration of Credit Risk* – The Authority limits the amount of medium-term corporate notes that can be invested to no more than 30% of the Authority's investment portfolio. Commercial paper cannot represent more than 10% of the outstanding paper issued of an issuing corporation. Purchases of commercial notes may not exceed 30% of the Authority's investment portfolio.

Investments in securities of any one issuer consisting of 5% or more of total investments are as follows:

Issuer	June 30, 2020		June 30, 2019	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Fannie Mae Notes	4,760,017	6.23%	2,100,896	4.43%
Federal Home Loan Bank Notes	3,464,908	4.54%	4,494,059	6.67%
Freddie Mac Notes	4,307,553	5.64%	2,370,350	3.52%

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 3. CASH AND INVESTMENTS, CONTINUED

##### Fair Value Measurements

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the Authority has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Authority's own data.

*Local Agency Investment Fund* – The Authority participates in the Local Agency Investment Fund (LAIF) which, under the oversight of the Treasury of the State of California, is regulated by California Government Code Section 16429. LAIF management calculates the fair value and cost of the entire LAIF pool. The Authority adjusts its cost basis invested in LAIF to fair value based on this ratio. The fair value of the Authority's position in the pool is the same as the value of the pool share. The balance available for withdrawal on demand is based on accounting records maintained by LAIF, which are recorded on an amortized cost basis. At June 30, 2020 and June 30, 2019, LAIF had a weighted average maturity of 191 days and 173 days, respectively.

*California Asset Management Program* – The Authority is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. The Authority's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The Authority reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2020, and June 30, 2019, the fair value approximated the Authority's cost. CAMP had a weighted average maturity of not more than 60 days on June 30, 2020 at June 30, 2019.

# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

### NOTE 3. CASH AND INVESTMENTS, CONTINUED

The Authority's fair value measurements are as follows at June 30, 2020:

Investments	Fair Value Measurements Using				Uncategorized
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Debt Securities					
Agency Mortgage-Backed Securities	\$ 945,326	\$ 945,326	\$ -	\$ -	\$ -
Asset-Backed Securities	1,763,970	-	1,763,970	-	-
Certificates of Deposit	4,210,362	-	4,210,362	-	-
Corporate Notes	7,944,635	-	7,944,635	-	-
Federal Agency Bond/Note	12,687,098	12,687,098	-	-	-
Municipal Bonds	78,499	78,499	-	-	-
Supra-National Agencies	1,049,394	1,049,394	-	-	-
U.S. Government Treasuries	29,522,802	29,522,802	-	-	-
Governmental investment pools					
California Asset Management Program (CAMP)	5,254,228	-	-	-	5,254,228
Local Agency Investment Fund (LAIF)	12,909,870	-	-	-	12,909,870
Total Debt Securities	<u>\$ 76,366,184</u>	<u>\$ 44,283,119</u>	<u>\$ 13,918,967</u>	<u>\$ -</u>	<u>\$ 18,164,098</u>

The Authority's fair value measurements are as follows at June 30, 2019:

Investments	Fair Value Measurements Using				Uncategorized
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Debt Securities					
Agency Mortgage-Backed Securities	\$ 584,625	\$ 584,625	\$ -	\$ -	\$ -
Asset-Backed Securities	2,169,449	-	2,169,449	-	-
Certificates of Deposit	3,841,299	-	3,841,299	-	-
Corporate Notes	7,137,788	-	7,137,788	-	-
Federal Agency Bond/Note	8,942,598	8,942,598	-	-	-
Municipal Bonds	76,347	76,347	-	-	-
Supra-National Agencies	2,280,170	2,280,170	-	-	-
U.S. Government Treasuries	21,845,166	21,845,166	-	-	-
Governmental investment pools					
California Asset Management Program (CAMP)	8,114,439	-	-	-	8,114,439
Local Agency Investment Fund (LAIF)	12,416,083	-	-	-	12,416,083
Total Debt Securities	<u>\$ 67,407,964</u>	<u>\$ 33,728,906</u>	<u>\$ 13,148,536</u>	<u>\$ -</u>	<u>\$ 20,530,522</u>

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

The fair value of the Authority's investment in Local Agency Investment Fund and California Asset Management Program is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Deposits and withdrawals in the Local Agency Investment Fund and California Asset Management Program are made on the basis of \$1 and not fair value. Accordingly, the Authority's proportionate share of investments in those funds at June 30, 2020 and June 30, 2019 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

#### NOTE 4. CAPITAL ASSETS

Capital assets at June 30, 2020 consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital assets being depreciated				
Building	1,000,000	-	-	1,000,000
Building improvements	557,566	56,491		614,057
Equipment	346,092	11,252	(34,116)	323,228
Software	288,563	71,656	-	360,219
Furniture and fixtures	115,020	-	-	115,020
Total capital assets being depreciated	<u>2,307,241</u>	<u>139,399</u>	<u>(34,116)</u>	<u>2,412,524</u>
	-			
Less accumulated depreciation for:	-			
Building	(835,000)	(30,000)	-	(865,000)
Building improvements	(350,240)	(21,537)	-	(371,777)
Equipment	(294,146)	(24,704)	34,116	(284,734)
Software	(280,207)	(8,791)	-	(288,998)
Furniture and fixtures	(113,492)	(1,333)	-	(114,825)
Total accumulated depreciation	<u>(1,873,085)</u>	<u>(86,365)</u>	<u>34,116</u>	<u>(1,925,334)</u>
Total depreciable capital assets, net	<u>434,156</u>	<u>53,034</u>	<u>-</u>	<u>487,190</u>
Total capital assets, net	<u>\$ 834,156</u>	<u>\$ 53,034</u>	<u>\$ -</u>	<u>\$ 887,190</u>

**MUNICIPAL POOLING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019**

**NOTE 4. CAPITAL ASSETS, CONTINUED**

Capital assets at June 30, 2019 consist of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital assets being depreciated				
Building	1,000,000	-	-	1,000,000
Building improvements	533,022	24,544	-	557,566
Equipment	346,092	-	-	346,092
Software	288,563	-	-	288,563
Furniture and fixtures	115,020	-	-	115,020
Total capital assets being depreciated	<u>2,282,697</u>	<u>24,544</u>	<u>-</u>	<u>2,307,241</u>
Less accumulated depreciation for:				
Building	(805,000)	(30,000)	-	(835,000)
Building improvements	(332,080)	(18,160)	-	(350,240)
Equipment	(255,346)	(38,800)	-	(294,146)
Software	(272,383)	(7,824)	-	(280,207)
Furniture and fixtures	(111,102)	(2,390)	-	(113,492)
Total accumulated depreciation	<u>(1,775,911)</u>	<u>(97,174)</u>	<u>-</u>	<u>(1,873,085)</u>
Total depreciable capital assets, net	<u>506,786</u>	<u>(72,630)</u>	<u>-</u>	<u>434,156</u>
Total capital assets, net	<u>\$ 906,786</u>	<u>\$ (72,630)</u>	<u>\$ -</u>	<u>\$ 834,156</u>

Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was \$86,365 and \$97,174, respectively.

**NOTE 5. PAYABLES AND ACCRUED EXPENSES**

Payables consist of the following at June 30:

	<b>2020</b>	<b>2019</b>
Trade payable	\$ 432,992	\$161,850
Accrued payroll	99,284	96,443
Total	<u>\$ 532,276</u>	<u>\$ 258,293</u>



**MUNICIPAL POOLING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019**

**NOTE 5. PAYABLES AND ACCRUED EXPENSES, CONTINUED**

Compensated absences comprise unpaid vacation and the vested portion of sick leave, which are accrued as earned. The changes of the compensated absences were as follows during the year ending June 30, 2020:

<b>Balance 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 2020</b>	<b>Due Within One Year</b>
\$ 173,231	\$ 76,964	\$ 42,259	\$ 207,936	\$ 42,259

The changes of the compensated absences were as follows during the year ending June 30, 2019:

<b>Balance 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 2019</b>	<b>Due Within One Year</b>
\$ 127,204	\$ 73,758	\$ 27,731	\$ 173,231	\$ 27,730

**NOTE 6. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

The Authority establishes a liability for both reported and unreported insured events. As of June 30, 2020 and 2019, the claim liabilities are reflected on a discounted basis at 2.0%, in accordance with actuarially determined discount formulas. The following represents changes in the unpaid losses and loss adjustment expenses for the Authority the years ended June 30:

	<b>2020</b>	<b>2019</b>
Unpaid Claims and Claims Adjustment Expense at Beginning of Year	\$ 44,565,000	\$ 44,583,765
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	14,583,625	13,596,925
Increase (Decrease) in Provision for Insured Events of Prior Fiscal Years	809,535	(5,003,004)
Total Incurred Claims and Claim Adjustment Expenses	15,393,160	8,593,921
Payments:		
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	1,785,141	1,279,305
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Prior Years	9,035,019	7,333,381
Total Payments	10,820,160	8,612,686
Total Unpaid Claims and Claims Adjustment Expenses	\$ 49,138,000	\$ 44,565,000

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

#### NOTE 6. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES, CONTINUED

The components of unpaid claims and claim adjustment expenses as of June 30, 2020 and 2019 were as follows:

Report Claims	\$ 22,756,000	\$ 20,059,000
Claims Incurred But Not Reported	23,678,000	22,120,000
Unallocated Loss Adjustment Expense Payable	<u>2,704,000</u>	<u>2,386,000</u>
Total Claims Liabilities	49,138,000	44,565,000
Current Portion	<u>(10,500,000)</u>	<u>(11,000,000)</u>
Long-Term Portion	<u>\$ 38,638,000</u>	<u>\$ 33,565,000</u>

As of June 30, 2020 and 2019, the undiscounted unpaid claims and claim adjustment expenses were \$55,430,000 and \$50,289,000, respectively.

#### NOTE 7. REINSURANCE

The Municipal Pooling Authority participated in a Joint Powers Agreement (JPA) with California Affiliated Risk Management Authorities (CARMA), Employment Risk Management Authority (ERMA), and Public Risk Innovation Solutions Management (PRISM). The relationship is such between these entities that they are not a component unit of the Authority for financial reporting purposes.

Premiums ceded to reinsurers during fiscal year end June 30, 2020 and 2019 were \$6,968,643 and \$6,084,978, respectively.

A. Entity	<u>CARMA</u>	<u>ERMA</u>	<u>PRISM</u>
B. Purpose	Provides Excess Insurance Coverage for the Liability Program	Provides Employment Liability coverage for the Authority's members	Provides excess insurance coverage for Worker's Compensation and Liability
C. Purpose	Statewide Entities	Statewide Entities	Statewide Entities
D. Governing Board	Consists of elected representatives of members by region	Consists of elected representatives of members by region	Consists of elected representatives of members by region

Separate complete audited financial statements are available from CARMA and ERMA at 1750 Creekside Oak Drive, Suite 200, Sacramento, CA 95833 and PRISM at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

### NOTE 8. EMPLOYEE RETIREMENT PLAN

#### *General Information about the Pension Plans*

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the Authority’s Employee Pension Plan, (the Plan) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial reports may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

**Benefits Provided** – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. Benefit provisions and all other requirements are established by State statute and may be amended by the Authority’s contract with the employees.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members PEPRA also effectively closed all existing active risk pools to new employees.

The Plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<b>Prior To</b>	<b>On or after</b>
Hire Date	<b>January 1, 2013</b>	<b>January 1, 2013</b>
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.221%	6.985%
Required unfunded liability contribution	\$ 21,379	\$ 1,783

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 8. EMPLOYEE RETIREMENT PLAN, CONTINUED

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

For the years ended June 30, 2020 and 2019, the contributions to the plan were \$319,510 and \$158,820, respectively.

#### ***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2020 and 2019, the Authority reported net pension liabilities for its proportionate share of the collective net pension liability of \$453,381 and \$368,247, respectively.

The Authority’s net pension liability at June 30, 2020 and 2019, for the plan was measured as the proportionate share of the collective plan’s net pension liability. The net pension liability of the Plan was measured as of June 30, 2019 and 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017 rolled forward to June 30, 2019 and 2018 using standard update procedures. The Authority’s proportion of the net pension liability was based on Authority’s share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2019 measurement date, the Authority’s proportionate share of the net pension liability was 0.01130 percent, which was an increase of 0.00150 percent from its proportion of 0.00980 percent measured as of June 30, 2018.

At June 30, 2018 measurement date, the Authority’s proportionate share of the net pension liability was 0.0098 percent, which was an increase of 0.0001 percent from its proportion of 0.00970 percent measured as of June 30, 2017.

**MUNICIPAL POOLING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019**

**NOTE 8. EMPLOYEE RETIREMENT PLAN, CONTINUED**

At the year ended June 30, 2020 and 2019, the Authority recognized pension expense of \$219,960 and \$186,832, respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>June 30, 2020</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$319,510	\$
Net differences between projected and actual earnings on plan investments	-	7,928
Adjustments due to differences in proportions	142,566	-
Adjustment due to differences between actual and proportionate share of contributions	43,583	
Changes in assumptions	21,620	7,663
Difference between expected and actual experience	31,489	2,439
Total	<u>\$ 558,768</u>	<u>\$ 18,030</u>

The amount of \$319,510 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2021	\$ 130,385
2022	57,946
2023	31,296
2024	1,601
Total	<u>\$ 221,228</u>

**MUNICIPAL POOLING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019**

**NOTE 8. EMPLOYEE RETIREMENT PLAN, CONTINUED**

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 158,820	\$ -
Net differences between projected and actual earnings on plan investments	1,819	-
Adjustments due to differences in proportions	123,435	10,300
Adjustment due to differences between actual and proportionate share of contributions	41,266	-
Changes in assumptions	41,981	10,289
Difference between expected and actual experience	14,129	4,807
Total	<u>\$ 381,450</u>	<u>\$ 25,396</u>

The amount of \$158,820 reported as deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the current year.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Costs
Actuarial Assumptions	
Discount Rate	7.15%
Payroll Growth	2.88%
Inflation	2.63%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.25% Net of Pension Plan Investment Expenses, include inflation
Mortality (1)	Derived using CalPERS' Membership Data for all Funds

(1) The probabilities of mortality are based on the Jan 2014 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 8. EMPLOYEE RETIREMENT PLAN, CONTINUED

**Discount Rate** – The discount rate used to measure the total pension liability remained unchanged at 7.15 percent similar to last year. This discount rate is not adjusted for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees’ Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Using historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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.

# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

### NOTE 8. EMPLOYEE RETIREMENT PLAN, CONTINUED

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

Asset Class <sup>(1)</sup>	Target Allocation	Real Return Years 1-10 <sup>(2)</sup>	Expected Real Rate of Return <sup>(3)</sup>
Public Equity	49.00%	4.80%	5.98%
Private Equity	8.00%	6.30%	7.23%
Global Fixed Income	22.00%	1.00%	2.62%
Liquidity	3.00%	0.00%	-0.92%
Real Assets	12.00%	3.75%	4.93%
Inflation Sensitive Assets	6.00%	0.77%	1.81%
	100.00%		

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

- (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% used for this period.
- (3) An expected inflation of 2.92% used for this period.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the Authority, calculated using the current discount rate for the Plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher (+100 basis points) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Authority's Net Pension Liability	\$ 931,603	\$ 453,381	\$ 58,642

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



# MUNICIPAL POOLING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

### NOTE 9. POSTEMPLOYMENT BENEFIT OTHER THAN PENSION PLAN (OPEB)

#### General Information about the OPEB Plan

**Plan Description** – Medical coverage is currently provided through CalPERS as permitted under the Public Employees’ Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous PEPRRA employee) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her pension benefit within 120 days of terminating employment with the Authority to be eligible to continue medical coverage through the Authority and be entitled to the benefits described below.

If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. It is the timing of initiating pension benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution. Once eligible, coverage may be continued at the retiree’s option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

**Benefits provided:** There are two components to the Authority’s subsidy toward retiree medical coverage. The current PEMHCA resolution on file with CalPERS provides the Authority to pay the minimum employer contribution (MEC) for both active and retired employees. The MEC is \$136 per month for 2019 and increases to \$139 per month in 2020. A surviving spouse eligible for survivor pension benefits will also receive the MEC if he or she continues coverage after the retiree’s death.

Employees hired prior to February 1, 2011 who retire on or after age 55 with 10 or more years of service with the Authority receive the greater of (a) the PEMHCA minimum benefit described above and (b) up to \$400 per month toward the cost of their medical coverage (and that of their spouse, to the extent possible). This benefit is payable for the retiree’s lifetime or the date coverage ceases. This benefit continues to a surviving spouse so long as he/she continues medical coverage through CalPERS.

**Employees covered by benefit terms.** At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitles to but not yet receiving benefit payments	1
Active employees	17
	<hr/>
	24
	<hr/>

## MUNICIPAL POOLING AUTHORITY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019

---

#### NOTE 9. POSTEMPLOYMENT BENEFIT OTHER THAN PENSION PLAN (OPEB), CONTINUED

*Contributions* – The OPEB plan and its contribution requirements are established by Memoranda of Understanding with the applicable employees and may be amended by agreements between the Authority and the employees. The Authority contributes an annual contribution determined on an actuarial basis as of June 30. The Authority pays the portion of the employer related health insurance premiums for current retirees and their spouses/dependents on a pay-as-you-go basis. For the fiscal year ended June 30, 2020, the Authority contributed \$53,373 in current premiums. The retiree premiums contain an implied rate subsidy of \$27,845 for the pay-as-you-go costs since retiree premium rates are the same as active employee medical premium rates rather than the actual medical cost.. Contributions recognized by the OPEB plan from the employer for the year ended June 30, 2020 are \$53,266.

**Net OPEB Liability** – The Authority’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions* - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.25% per year; used only to allocate the cost of benefits between service years
Investment rate of return	6.75% per annum
Healthcare cost trend rates	6.75 % for 2019, starting at 6.5% effective January 1, 2021 and down to 5% for years 2024 and later

*Discount rate.* The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that the Authority’s contributions will be made at rates equal to the actuarially determined contribution rates. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**MUNICIPAL POOLING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019**

**NOTE 9. POSTEMPLOYMENT BENEFIT OTHER THAN PENSION PLAN (OPEB), CONTINUED**

*Changes in the Net OPEB Liability*

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2019	\$ 694,288	\$ 464,608	\$ 229,680
Changes for the year:			
Service cost	33,042	-	33,042
Interest cost	47,337	-	47,337
Expected investment income	-	31,397	(31,397)
Administrative Expenses	-	(100)	100
Contributions - employer	-	53,266	(53,266)
Net investment income	(30,057)	(2,706)	(27,351)
Benefit payments	(52,091)	(52,091)	-
Changes of assumptions	(12,841)	-	(12,841)
Net changes	(14,610)	29,766	(44,376)
Balances at June 30, 2020	<u>\$ 679,678</u>	<u>\$ 494,374</u>	<u>\$ 185,304</u>

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate:

	<b>1% Decrease (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Net OPEB liability	<u>\$ 247,887</u>	<u>\$ 185,304</u>	<u>\$ 131,832</u>

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Healthcare Cost Trend Rates</b>		
	<b>1% Decrease</b>	<b>(Current Trend)</b>	<b>1% Increase</b>
Net OPEB liability	<u>\$ 163,337</u>	<u>\$ 185,304</u>	<u>\$ 218,660</u>

*OPEB Plan Fiduciary Net Position.* Detailed information about the OPEB Plan's fiduciary net position is available in the separate CalPERS financial report.

**MUNICIPAL POOLING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019**

**NOTE 9. POSTEMPLOYMENT BENEFIT OTHER THAN PENSION PLAN (OPEB), CONTINUED**

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

For the year ended June 30, 2020 and 2019, the Authority recognized OPEB expense of \$39,304 and \$42,944, respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>June 30, 2020</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to measurement date	\$ 53,373	\$ -
Changes of assumptions	14,365	11,108
Differences between expected and actual experience	-	43,096
Net difference between projected and actual earnings on OPEB plan investments	-	5,446
Total	\$ 67,738	\$ 59,650

The amount of \$53,373 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2021	\$ (9,778)
2022	(9,777)
2023	(7,220)
2024	(6,387)
2025	(4,325)
Thereafter	(7,798)
Total	\$ (45,285)

**MUNICIPAL POOLING AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020 AND COMPARATIVE 2019**

---

**NOTE 9. POSTEMPLOYMENT BENEFIT OTHER THAN PENSION PLAN (OPEB), CONTINUED**

	<b>June 30, 2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to measurement date	\$ 53,266	\$ -
Changes of assumptions	17,316	-
Differences between expected and actual experience	-	21,187
Net difference between projected and actual earnings on	-	11,001
Total	<u>\$ 70,582</u>	<u>\$ 32,188</u>

**NOTE 10. CONCENTRATION IN MEMBERS' PREMIUMS**

In 2020, the Authority's three largest members accounted for approximately 11%, 11% and 10% of the insurance premiums. In 2019, the largest members accounted for 12%, 12% and 10% of the insurance premiums.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MUNICIPAL POOLING AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AND RELATED RATIOS – Last Ten Fiscal Years\***

	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Measurement Date						
Proportion of the collective net pension liability	0.008105%	0.006402%	0.008024%	0.009703%	0.009800%	0.011300%
Proportionate share of the collective net pension liability	\$ 200,320	\$ 175,646	\$ 278,739	\$ 382,481	\$368,247	\$ 453,381
Covered payroll	\$ 1,359,105	\$ 1,517,506	\$ 1,272,750	\$ 1,304,016	\$1,601,386	\$ 1,762,714
Proportionate share of the net pension liability as percentage of its covered payroll	14.74%	11.57%	21.90%	29.33%	23.00%	25.72%
Plans fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%
Discount Rate	7.50%	7.65%	7.65%	7.15%	7.15%	7.15%

**Note to schedule:**

\*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

*Change of Assumptions*

The discount rate changed from 7.50 percent used for the June 30, 2014 measurement date to 7.65 percent used for the June 30, 2015 measurement date. The discount rate changed from 7.65 percent used for the June 30, 2016 measurement date to 7.15 percent used for the June 30, 2017 measurement date.

**MUNICIPAL POOLING AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS – Last Ten Fiscal Years\***

Fiscal year	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ 143,574	\$ 94,554	\$ 102,831	\$ 135,693	\$ 158,820	\$ 319,510
Contributions in relation to the actuarially determined contributions	(143,574)	(94,554)	(102,831)	(135,693)	(158,820)	(319,510)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,517,506	\$ 1,272,750	\$ 1,304,016	\$ 1,601,386	\$ 1,762,714	\$ 1,963,957
Contributions as a percentage of covered payroll	9.46%	7.43%	7.89%	8.47%	9.01%	16.27%

**Note to schedule:**

\*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.



## MUNICIPAL POOLING AUTHORITY

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS – Last Ten Fiscal Years\*

Fiscal year	<u>2018</u>	<u>2019</u>	<u>2020</u>
Measurement year	2017	2018	2019
<b>Total OPEB liability</b>			
Service cost	\$ 21,074	\$ 30,921	\$ 33,042
Interest	46,742	45,901	47,337
Differences between expected and actual experience	(29,371)	-	(30,057)
Changes of assumptions	6,655	14,541	(12,841)
Benefit payments, including refunds of member contributions	(38,812)	(43,754)	(52,091)
<b>Net change in total OPEB liability</b>	<u>6,288</u>	<u>47,609</u>	<u>(14,610)</u>
<b>Total OPEB liability - beginning</b>	<u>640,391</u>	<u>646,679</u>	<u>694,288</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 646,679</u>	<u>\$ 694,288</u>	<u>\$ 679,678</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 38,812	\$ 43,754	\$ 53,266
Net investment income	41,192	34,301	28,691
Benefit payments, including refunds of member contributions	(38,812)	(43,754)	(52,091)
Administrative expense	(209)	(230)	(100)
Other expenses	-	(570)	
<b>Net change in plan fiduciary net position</b>	<u>40,983</u>	<u>33,501</u>	<u>29,766</u>
<b>Plan fiduciary net position - beginning</b>	<u>390,124</u>	<u>431,107</u>	<u>464,608</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 431,107</u>	<u>\$ 464,608</u>	<u>\$ 494,374</u>
<b>Authority's net OPEB liability - ending (a) - (b)</b>	<u>\$ 215,572</u>	<u>\$ 229,680</u>	<u>\$ 185,304</u>
Plan fiduciary net position as a percentage of the total OPEB liability	66.66%	66.92%	72.74%
Covered payroll	\$ 1,304,016	\$ 1,601,386	\$ 1,762,714
Authority's net OPEB liability as a percentage of covered payroll	16.53%	14.34%	10.51%

#### Note to schedule:

\*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

## MUNICIPAL POOLING AUTHORITY

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB PLAN CONTRIBUTIONS – Last Ten Fiscal Years\*

Fiscal year	2018	2019	2020
Actuarially determined contribution	\$ 40,645	\$ 50,381	\$ 51,754
Contributions in relation to the actuarially determined contribution	<u>(43,754)</u>	<u>(53,266)</u>	<u>(53,373)</u>
Contribution deficiency (excess)	<u>\$ (3,109)</u>	<u>\$ (2,885)</u>	<u>\$ (1,619)</u>
Covered payroll	\$ 1,601,386	\$ 1,762,714	\$ 1,963,957
Contributions as a percentage of covered payroll	2.73%	3.02%	2.72%

**Note to schedule:**

Actuarially determined contribution rates are calculated as of June 30 one year prior to the end of the fiscal year in which contributions are reported.

Valuation date:

Actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of pay
Asset valuation method	Market value of assets
Long-Term return on assets	6.75% as of June 30, 2019 and June 30, 2018 net of plan investment expenses and including inflation
Discount rates	6.75% as of June 30, 2019 and June 30, 2018
Salary increase	3.25% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
Assumed wage inflation	3.0% per year; used to determine amortization payments for developing the Actuarially Determined Contributions
General Inflation Rate	2.75% per year
Investment rate of return	6.75%
Mortality	MacLeod Watts Scale 2018 applied generationally from 2015.

**MUNICIPAL POOLING AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
RECONCILIATION OF CLAIMS LIABILITY BY PROGRAM  
JUNE 30, 2020**

	<b>Liability</b>	<b>Workers' Compensation</b>	<b>Vehicle</b>	<b>Term Disability</b>	<b>Wellness</b>	<b>Total</b>
Unpaid Claims and Claim Adjustment Expense at Beginning of Year	\$ 14,151,000	\$ 30,414,000	\$ -	\$ -	\$ -	\$ 44,565,000
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	5,863,000	8,403,000	114,618	169,427	33,580	14,583,625
Increase (Decrease) in Provision for Insured Events of Prior Fiscal Years	1,933,012	(1,123,477)	-	-	-	809,535
Total Incurred Claims and Claim Adjustment Expenses	<u>7,796,012</u>	<u>7,279,523</u>	<u>114,618</u>	<u>169,427</u>	<u>33,580</u>	<u>15,393,160</u>
Payments:						
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	486,629	980,887	114,618	169,427	33,580	1,785,141
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Prior Years	3,766,383	5,268,636	-	-	-	9,035,019
Total Payments	<u>4,253,012</u>	<u>6,249,523</u>	<u>114,618</u>	<u>169,427</u>	<u>33,580</u>	<u>10,820,160</u>
Total Unpaid Claims and Claims Adjustment Expenses	<u>\$ 17,694,000</u>	<u>\$ 31,444,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,138,000</u>
Reported Claims	\$ 9,769,000	\$ 12,987,000	\$ -	\$ -	\$ -	\$ 22,756,000
Claims Incurred But Not Reported	7,055,000	16,623,000	-	-	-	23,678,000
Unallocated Loss Adjustment Expense Payable	870,000	1,834,000	-	-	-	2,704,000
Total Claim Liabilities	<u>\$ 17,694,000</u>	<u>\$ 31,444,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,138,000</u>

See notes to required supplementary information.

**MUNICIPAL POOLING AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
RECONCILIATION OF CLAIMS LIABILITY BY PROGRAM  
JUNE 30, 2019**

	<u>Liability</u>	<u>Workers' Compensation</u>	<u>Vehicle</u>	<u>Short/Long Term Disability</u>	<u>Wellness</u>	<u>Total</u>
Unpaid Claims and Claim Adjustment Expense at Beginning of Year	\$15,160,282	\$29,423,483	\$ -	\$ -	\$ -	\$44,583,765
Incurred Claims and Claim Adjustment Expenses:						
Provision for Insured Events of the Current Year	4,977,000	8,245,000	221,416	96,669	56,840	13,596,925
Increase (Decrease) in Provision for Insured Events of Prior Fiscal Years	(3,170,883)	(1,832,121)	-	-	-	(5,003,004)
Total Incurred Claims and Claim Adjustment Expenses	<u>1,806,117</u>	<u>6,412,879</u>	<u>221,416</u>	<u>96,669</u>	<u>56,840</u>	<u>8,593,921</u>
Payments:						
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	34,940	869,440	221,416	96,669	56,840	1,279,305
Claim and Claim Adjustment Expenses Attributable to Insured Events of the prior Year	2,780,459	4,552,922	-	-	-	7,333,381
Total Payments	<u>2,815,399</u>	<u>5,422,362</u>	<u>221,416</u>	<u>96,669</u>	<u>56,840</u>	<u>8,612,686</u>
Total Unpaid Claims and Claims Adjustment Expenses	<u>\$ 14,151,000</u>	<u>\$ 30,414,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,565,000</u>
Reported Claims	\$7,178,000	\$12,881,000	\$ -	\$ -	\$ -	\$ 20,059,000
Claims Incurred But Not Reported	6,353,000	15,767,000	-	-	-	22,120,000
Unallocated Loss Adjustment Expense Payable	620,000	1,766,000	-	-	-	2,386,000
Total Claim Liabilities	<u>\$ 14,151,000</u>	<u>\$ 30,414,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,565,000</u>

See notes to required supplementary information.

# MUNICIPAL POOLING AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION CLAIMS DEVELOPMENT INFORMATION – GENERAL LIABILITY

	Fiscal and Policy Year Ended June 30, (In Thousands)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Premiums and Investment Revenue	\$ 8,323	\$ 7,901	\$ 7,813	\$ 7,594	\$ 8,167	\$ 9,301	\$ 10,742	\$ 12,800	\$ 14,162	\$ 16,173
Assessments/(dividends)	-	-	-	-	-	-	-	-	-	-
Ceded	(3,292)	(3,002)	(3,043)	(2,997)	(3,072)	(3,685)	(3,941)	(4,141)	(4,373)	(5,297)
<sup>(1)</sup> Net Earned	5,031	4,899	4,770	4,597	5,095	5,616	6,801	8,659	9,789	10,876
<sup>(2)</sup> Unallocated Expenses	1,356	1,136	1,125	1,155	1,939	1,243	1,249	1,548	1,650	1,804
<sup>(3)</sup> Estimated Incurred Claims and Expense										
End of Year	3,189	3,321	3,320	3,033	3,104	3,449	5,313	4,757	4,977	5,863
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	3,189	3,321	3,320	3,033	3,104	3,449	5,313	4,757	4,977	5,863
<sup>(4)</sup> Paid (Cumulative as of):										
End of Policy Year	8	26	-	61	35	49	333	18	35	487
One Year Later	106	231	21	702	48	376	1,352	143	1,077	-
Two Years Later	1,358	813	193	1,052	1,567	1,906	2,402	1,370	-	-
Three Years Later	2,756	2,827	1,866	2,159	2,526	2,407	3,685	-	-	-
Four Years Late	3,113	4,213	2,305	2,562	3,480	3,135	-	-	-	-
Five Years Later	3,395	4,336	2,431	2,562	3,670	-	-	-	-	-
Six Years Later	3,408	4,709	2,431	2,574	-	-	-	-	-	-
Seven Years Later	3,412	4,786	2,438	-	-	-	-	-	-	-
Eight Years Later	3,420	4,845	-	-	-	-	-	-	-	-
Nine Years Later	3,541	-	-	-	-	-	-	-	-	-
<sup>(5)</sup> Reestimated Ceded Claims and Expense:	-	-	-	-	-	-	-	-	-	-
<sup>(6)</sup> Reestimated Incurred Claims and Expense:										
End of Policy Year	3,189	3,321	3,320	3,033	3,104	3,449	5,313	4,757	4,977	5,863
One Year Later	3,202	2,619	1,972	3,141	3,218	4,917	6,008	4,005	5,398	-
Two Years Later	3,510	3,714	2,139	3,437	4,411	4,682	5,851	4,223	-	-
Three Years Later	4,294	4,857	3,228	3,301	3,850	4,593	5,990	-	-	-
Four Years Later	4,197	5,151	6,199	3,052	4,483	4,757	-	-	-	-
Five Years Later	4,150	5,187	2,644	2,772	4,511	-	-	-	-	-
Six Years Later	3,675	4,865	2,478	2,627	-	-	-	-	-	-
Seven Years Later	3,596	4,799	2,468	-	-	-	-	-	-	-
Eight Years Later	3,455	4,912	-	-	-	-	-	-	-	-
Nine Years Later	3,569	-	-	-	-	-	-	-	-	-
<sup>(7)</sup> Increase (Decrease) in Estimated Incurred Claims and Expenses from the End of Program Year	\$ 380	\$ 1,591	\$ (852)	\$ (406)	\$ 1,407	\$ 1,308	\$ 677	\$ (534)	\$ 421	\$ -

See notes to required supplementary information.

# MUNICIPAL POOLING AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION CLAIMS DEVELOPMENT INFORMATION – WORKERS’ COMPENSATION

	Fiscal and Policy Year Ended June 30, (In Thousands)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Premiums and Investment Revenue	\$ 9,190	\$ 8,467	\$ 8,594	\$ 8,667	\$ 10,224	\$ 11,068	\$ 12,247	\$ 12,783	\$ 14,312	\$ 15,274
Assessments/(dividends)	-	-	-	-	-	-	-	-	-	-
Ceded	(722)	(869)	(926)	(1,120)	(1,355)	(1,539)	(1,552)	(1,686)	(1,712)	(1,672)
<sup>(1)</sup> Net Earned	8,468	7,598	7,668	7,547	8,869	9,529	10,695	11,097	12,600	13,602
<sup>(2)</sup> Unallocated Expenses	1,213	1,216	1,424	1,490	1,596	1,590	1,555	1,669	1,732	1,840
<sup>(3)</sup> Estimated Incurred Claims and Expense										
End of Year	5,284	5,672	5,073	6,280	7,191	7,194	7,673	8,261	8,245	8,403
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	5,284	5,672	5,073	6,280	7,191	7,194	7,673	8,261	8,245	8,403
<sup>(4)</sup> Paid (Cumulative as of):										
End of Policy Year	718	792	798	679	793	701	1,083	844	869	981
One Year Later	1,851	2,131	2,397	2,414	2,077	1,697	2,896	2,161	2,511	-
Two Years Later	2,979	3,324	3,311	3,572	3,436	4,722	4,723	3,219	-	-
Three Years Later	3,536	4,076	4,413	4,765	4,354	5,055	5,715	-	-	-
Four Years Later	3,879	4,503	4,635	5,223	4,945	4,128	-	-	-	-
Five Years Later	4,463	4,669	4,794	5,528	5,006	-	-	-	-	-
Six Years Later	5,361	4,778	4,895	5,761	-	-	-	-	-	-
Seven Years Later	5,422	4,784	5,010	-	-	-	-	-	-	-
Eight Years Later	5,762	4,891	-	-	-	-	-	-	-	-
Nine Years Later	5,644	-	-	-	-	-	-	-	-	-
<sup>(5)</sup> Reestimated Ceded Claims and Expense:	-	-	-	-	-	-	-	-	-	-
<sup>(6)</sup> Reestimated Incurred Claims and Expense:										
End of Policy Year	5,284	5,672	5,073	6,280	7,191	7,194	7,673	8,261	8,245	8,403
One Year Later	5,569	5,956	6,536	6,971	6,798	6,906	8,840	8,007	7,985	-
Two Years Later	5,944	6,256	7,136	6,728	6,705	6,860	9,234	7,515	-	-
Three Years Later	5,990	6,990	6,994	7,108	7,261	6,759	9,818	-	-	-
Four Years Later	6,072	6,572	6,749	7,544	7,505	6,450	-	-	-	-
Five Years Later	5,937	6,154	6,291	7,517	7,408	-	-	-	-	-
Six Years Later	6,428	6,105	5,944	7,506	-	-	-	-	-	-
Seven Years Later	6,770	5,930	5,871	-	-	-	-	-	-	-
Eight Years Later	6,773	5,754	-	-	-	-	-	-	-	-
Nine Years Later	6,660	-	-	-	-	-	-	-	-	-
<sup>(7)</sup> Increase (Decrease) in										
Estimated Incurred Claims and Expenses										
from the End of Program Year	\$ 1,376	\$ 82	\$ 798	\$ 1,226	\$ 217	\$ (744)	\$ 2,145	\$ (746)	\$ (260)	\$ -

See notes to required supplementary information.

# MUNICIPAL POOLING AUTHORITY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

---

### 1. RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM

The schedules represent the changes in claims liabilities for the current and past year for all of the Authority's programs.

### 2. CLAIMS DEVELOPMENT INFORMATION

- (1) This line shows the total of each fiscal year's gross earned deposit premiums and cumulative investment income less ceded (excess insurance cost) and any dividends or assessments to arrive at net earned contribution and investment revenues.
- (2) This line shows other operating costs of the Authority for each fiscal year including overhead and claims administration expenses.
- (3) This line shows the Authority's gross estimated ultimate losses, losses assumed by reinsurers and net incurred losses as originally reported at the end of the policy years.
- (4) This line shows the cumulative amounts paid as of the end of successive years for each program year.
- (5) This line shows the latest re-estimated amount of losses assumed by reinsurers for each policy year.
- (6) This line shows the re-estimated net incurred claims and allocated loss adjustment expenses as calculated by the actuary.
- (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 claims cost is greater than or less than originally projected.

The original and re-estimated cost of claims is presented on a net present value basis, the effect of which decreases over time and may cause the appearance of adverse loss development when compared to original estimates. As data for individual accident years mature, the correlation between original estimates and the re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature accident years. The columns of the table show data for successive accident years.

**OTHER SUPPLEMENTARY INFORMATION**



**MUNICIPAL POOLING AUTHORITY**

**COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2020**

	General Liability	Workers' Comp	Vehicle	Property	Short/Long Term Disability	Life	Wellness	EAP	Facilities Management	Eliminating Entries	Total
<b>ASSETS</b>											
Current Assets											
Cash and deposits	\$ 1,545,856	\$ 1,233,699	\$ 27,069	\$ 13,024	\$ 54,730	\$ 14,329	\$ 2,371	\$ (2,847)	\$ 7,969	\$ -	\$ 2,896,200
Investments	9,963,830	10,147,834	531,369	206,973	871,763	221,373	61,585	-	144,481	-	22,149,208
Receivables											
Member agencies/other	344,524	84,080	75,841	-	27,571	21,044	-	2,847	-	-	555,907
Interest	151,363	166,480	14,541	2,611	9,518	2,304	619	-	-	-	347,436
Dividends/Excess	428,729	-	-	-	-	-	-	-	-	-	428,729
Prepaid expense	43,403	18,560	737	736	552	552	553	-	553	-	65,646
Total Current Assets	<u>12,477,705</u>	<u>11,650,653</u>	<u>649,557</u>	<u>223,344</u>	<u>964,134</u>	<u>259,602</u>	<u>65,128</u>	<u>-</u>	<u>153,003</u>	<u>-</u>	<u>26,443,126</u>
Noncurrent Assets											
Interprogram receivables	383,640	-	-	-	-	-	-	-	-	(383,640)	-
Investments	19,175,117	35,041,859	-	-	-	-	-	-	-	-	54,216,976
Capital assets, net	45,830	49,983	2,664	2,914	2,091	2,178	2,205	-	779,325	-	887,190
Total Noncurrent Assets	<u>19,604,587</u>	<u>35,091,842</u>	<u>2,664</u>	<u>2,914</u>	<u>2,091</u>	<u>2,178</u>	<u>2,205</u>	<u>-</u>	<u>779,325</u>	<u>(383,640)</u>	<u>55,104,166</u>
Total Assets	<u>32,082,292</u>	<u>46,742,495</u>	<u>652,221</u>	<u>226,258</u>	<u>966,225</u>	<u>261,780</u>	<u>67,333</u>	<u>-</u>	<u>932,328</u>	<u>(383,640)</u>	<u>81,547,292</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>											
Deferred outflows from pensions	277,917	280,851	-	-	-	-	-	-	-	-	558,768
Deferred outflows from OPEB	33,869	33,869	-	-	-	-	-	-	-	-	67,738
Total Deferred Outflows of Resources	<u>311,786</u>	<u>314,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,506</u>
<b>LIABILITIES</b>											
Current Liabilities											
Payables	90,104	74,426	10,914	31,076	197,592	107,255	4,814	-	16,095	-	532,276
Policyholder dividends payable	1,100,000	900,000	-	-	-	-	-	-	-	-	2,000,000
Compensated absences	17,327	17,327	1,902	1,902	1,268	1,268	1,265	-	-	-	42,259
Unearned Premiums	-	-	-	-	7,028	1,271	-	-	-	-	8,299
Unpaid claims	4,300,000	6,200,000	-	-	-	-	-	-	-	-	10,500,000
Total Current Liabilities	<u>5,507,431</u>	<u>7,191,753</u>	<u>12,816</u>	<u>32,978</u>	<u>205,888</u>	<u>109,794</u>	<u>6,079</u>	<u>-</u>	<u>16,095</u>	<u>-</u>	<u>13,082,834</u>
Noncurrent Liabilities											
Interprogram payables	-	-	-	-	-	-	-	-	383,640	(383,640)	0
Compensated absences	67,927	67,927	7,455	7,455	4,970	4,971	4,972	-	-	-	165,677
Unpaid claims	13,394,000	25,244,000	-	-	-	-	-	-	-	-	38,638,000
Net pension liability	224,687	228,694	-	-	-	-	-	-	-	-	453,381
Net OPEB Liability	92,652	92,652	-	-	-	-	-	-	-	-	185,304
Total Noncurrent Liabilities	<u>13,779,266</u>	<u>25,633,273</u>	<u>7,455</u>	<u>7,455</u>	<u>4,970</u>	<u>4,971</u>	<u>4,972</u>	<u>-</u>	<u>383,640</u>	<u>(383,640)</u>	<u>39,442,362</u>
Total Liabilities	<u>19,286,697</u>	<u>32,825,026</u>	<u>20,271</u>	<u>40,433</u>	<u>210,858</u>	<u>114,765</u>	<u>11,051</u>	<u>-</u>	<u>399,735</u>	<u>(383,640)</u>	<u>52,525,196</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Deferred inflows from pensions	7,637	10,393	-	-	-	-	-	-	-	-	18,030
Deferred inflows from OPEB	29,825	29,825	-	-	-	-	-	-	-	-	59,650
Total Deferred Inflows of Resources	<u>37,462</u>	<u>40,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,680</u>
<b>NET POSITION</b>											
Investment in capital assets	45,830	49,983	2,664	2,914	2,091	2,178	2,205	-	779,325	-	887,190
Unrestricted	13,024,089	14,141,988	629,286	182,911	753,276	144,837	54,077	-	(246,732)	-	28,683,732
Total Net Position	<u>\$ 13,069,919</u>	<u>\$ 14,191,971</u>	<u>\$ 631,950</u>	<u>\$ 185,825</u>	<u>\$ 755,367</u>	<u>\$ 147,015</u>	<u>\$ 56,282</u>	<u>\$ -</u>	<u>\$ 532,593</u>	<u>\$ -</u>	<u>\$ 29,570,922</u>

# MUNICIPAL POOLING AUTHORITY

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION JUNE 30, 2020

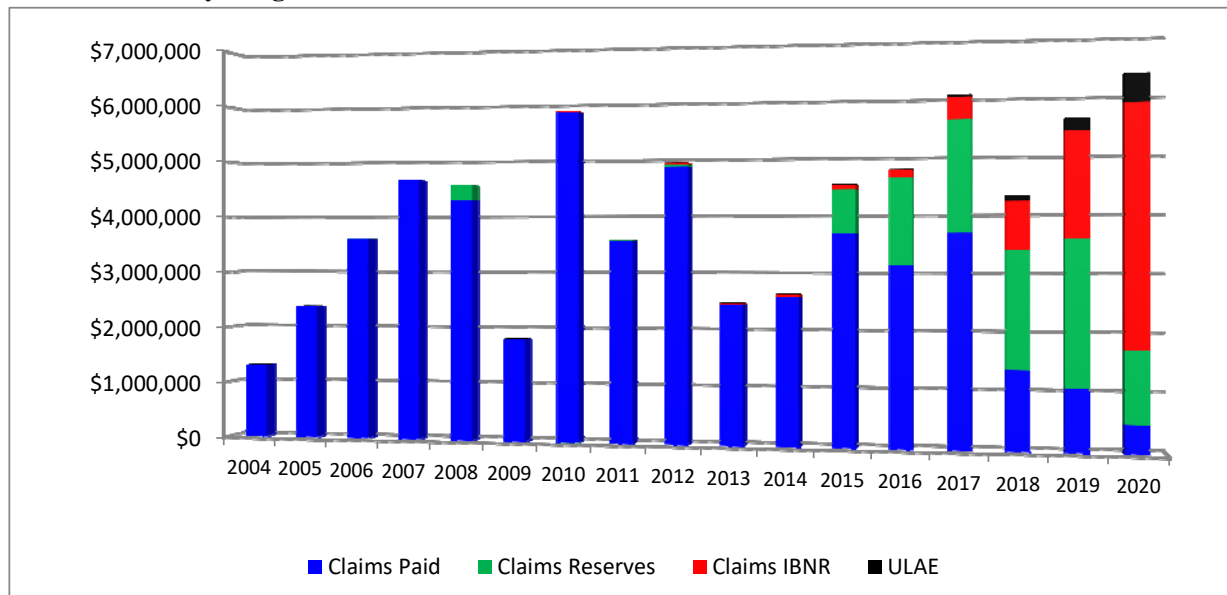
	General Liability	Workers' Comp	Vehicle	Property	Short/Long Term Disability	Life	Wellness	EAP	Facilities Management	Eliminating Entries	Total
<b>OPERATING REVENUES</b>											
Premiums earned	\$ 14,118,656	\$ 13,800,597	\$ 261,367	\$ 2,019,089	\$ 1,116,003	\$ 371,840	\$ 124,895	\$ 82,663	\$ -	\$ -	\$ 31,895,110
Other operating revenue	-	7,204	-	-	-	-	-	-	-	-	7,204
Total Operating Revenues	14,118,656	13,807,801	261,367	2,019,089	1,116,003	371,840	124,895	82,663	-	-	31,902,314
<b>OPERATING EXPENSES</b>											
Claims expense	7,796,011	7,279,523	114,618	-	169,427	-	33,580	-	-	-	15,393,159
Claims administration	25,600	645,754	4,965	-	26,734	-	-	-	-	-	703,053
Insurance	5,297,126	1,671,517	-	1,894,506	753,490	296,776	-	82,663	-	-	9,996,078
Policyholder dividend	1,100,000	900,000	-	-	-	-	-	-	-	-	2,000,000
General & Administrative	1,804,032	1,839,519	93,086	110,566	62,485	62,484	62,475	-	200,630	(283,860)	3,951,417
Total Operating expenses	16,022,769	12,336,313	212,669	2,005,072	1,012,136	359,260	96,055	82,663	200,630	(283,860)	32,043,707
Net Operating Income (Loss)	(1,904,113)	1,471,488	48,698	14,017	103,867	12,580	28,840	-	(200,630)	283,860	(141,393)
<b>NON-OPERATING REVENUES (EXPENSES)</b>											
Refund from Excess Carriers	428,729	-	-	-	-	-	-	-	-	-	428,729
Rental Income	-	-	-	-	-	-	-	-	283,860	(283,860)	-
Investment Income	1,625,785	1,465,708	71,403	20,318	75,973	15,962	3,918	-	(8,776)	-	3,270,291
Other Non-operating Income	-	121	-	-	-	-	-	-	-	-	121
Total Non-operating Revenues	2,054,514	1,465,829	71,403	20,318	75,973	15,962	3,918	-	275,084	(283,860)	3,699,141
Change in Net Position	150,401	2,937,317	120,101	34,335	179,840	28,542	32,758	-	74,454	-	3,557,748
Net Position - Beginning of Year	12,919,518	11,254,654	511,849	151,490	575,527	118,473	23,524	-	458,139	-	26,013,174
Net Position - End of Year	\$ 13,069,919	\$ 14,191,971	\$ 631,950	\$ 185,825	\$ 755,367	\$ 147,015	\$ 56,282	\$ -	\$ 532,593	\$ -	\$ 29,570,922

## **OTHER INFORMATION**

# MUNICIPAL POOLING AUTHORITY

## GRAPHICAL SUMMARY OF CLAIMS JUNE 30, 2020

### General Liability Program



### Workers' Compensation Program

