SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

ANNUAL FINANCIAL REPORT

MARCH 31, 2018

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY

JOINT POWERS AUTHORITY

MARCH 31, 2018

BOARD OF DIRECTORS

REPRESENTATIVE	OFFICE HELD	MEMBER
Mr. Jeff Trader	President	Newport-Mesa Unified School District
Ms. Ann Kantor	Vice President	Orange County Department of Education
Ms. Barbara Ott	Secretary-Treasurer	Brea-Olinda Unified School District
Mr. Keith Farrow	Member	Ocean View School District

ADMINISTRATION

Mr. Russell O'Donnell	JPA Administrator

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

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FINANCIAL SECTION

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Southern Orange County Property/Liability
Joint Powers Authority
Brea, California

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Orange County Property/Liability Joint Powers Authority (the Authority) as of March 31, 2018 and for the period of July 1, 2017 through March 31, 2018, 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 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 opinions 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, the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southern Orange County Property/Liability Joint Powers Authority as of March 31, 2018, and the respective changes in financial position and cash flows thereof for the period of July 1, 2017 through March 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and claims development information on pages 20 and 21 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Southern Orange County Property/Liability Joint Powers Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southern Orange County Property/Liability Joint Powers Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Orange County Property/Liability Joint Powers Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
May 25, 2018

Southern Orange County
Property/Liability JPA

BOARD OF DIRECTORS

President
Jeff Trader
Newport-Mesa USD
(714) 424-5003

Vice President
Ann Kantor
Orange County DOE
(714) 966-4059

Secretary-Treasurer
Barbara Ott
Brea Olinda USD
(714) 990-7827

Keith Farrow
Ocean View SD
(714) 847-2551

ADMINISTRATION

Russell O'Donnell
JPA Administrator
Alliance of Schools for Cooperative Insurance Programs
(562) 404-8029

Martha Espinoza
JPA Assist. Administrator
Alliance of Schools for Cooperative Insurance Programs
(562) 404-8029

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Southern Orange County Property/Liability Joint Power Authority (SOCPLJPA) is a public school consortium formed pursuant to *Government Code* 965 et seq. Created in July 1981, SOCPLJPA was formed for the purpose of pooling property and liability losses and ancillary coverage and for purchasing excess insurance and risk management products and service on a collective basis. The pool is administered and purchases excess insurance coverage through the Alliance of Schools for Cooperative Insurance Programs (ASCIP), which also provides risk management and program administration services for the pool. Effective July 1, 2015, the pool discontinued to offer coverage to its members.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

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

Vavrinek, Trine, Day & Co., LLP Certified Public Accountants has performed an independent audit of SOCPLJPA's financial statements in accordance with generally accepted auditing standards. The opinion of their audit is included in this report. Rivelle Consulting Services provides an independent actuarial review of the property/liability program, which confirms the adequacy and reasonableness of the outstanding claims liabilities recorded at the end of each year.

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ANALYSIS OF SIGNIFICANT VARIATION BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS

March 31, 2018

	Original Budget	Final Budget	Budget Variance	Actual	Dollar Variance
Revenue:					
District deductibles	$ 45,000	$ 45,000	0%	$ 12,799	$ (32,201)
Interest income	15,000	15,000	0%	13,936	(1,064)
Total Revenue	**60,000**	**60,000**	**0%**	**26,735**	**(33,265)**
Expenditures:					
Self-insurance	100,000	100,000	0%	45,478	54,522
Administrative services	55,250	55,250	0%	55,250	-
Other operating expense	23,100	23,100	0%	11,724	11,376
Total Expenditures	**178,350**	**178,350**	**0%**	**112,452**	**65,898**
Net decrease in net position	**$ (118,350)**	**$ (118,350)**	**0%**	**$ (85,717)**	**$ 32,633**

- There were no variances between the original budget and the final budget since SOCPLJPA did not have revisions during the year.
- District deductibles were lower than what was budgeted mainly due to lower claims payments.
- The actual self-insurance expense was lower than budget mainly due to the decrease in provision for loss reserves and decrease in number of claims as the JPA discontinued to offer coverage effective July 1, 2015.
- During FY 2017-2018, the Board made the decision to transfer the remaining claims liability to ASCIP for a cost of $83,718.
- The total administrative expenses incurred were lower than budget due to lower legal fees than originally estimated.

	For the Year Ended June 30, 2017				
	Original Budget	Final Budget	Budget Variance	Actual	Dollar Variance
Revenue:					
District deductibles	$ 15,000	$ 15,000	0%	$ 59,985	$ 44,985
Interest income	15,600	15,600	0%	17,873	2,273
Total Revenue	**30,600**	**30,600**	**0%**	**77,858**	**47,258**
Expenditures:					
Self-insurance	100,000	100,000	0%	(63,570)	163,570
Administrative services	60,000	60,000	0%	55,250	4,750
Other operating expense	24,000	24,000	0%	7,526	16,474
Premium rebate	-	-	0%	206,478	(206,478)
Total Expenditures	**184,000**	**184,000**	**0%**	**205,684**	**(21,684)**
Net decrease in net position	**$ (153,400)**	**$ (153,400)**	**0%**	**$ (127,826)**	**$ 25,574**

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

SOCPLJPA's total assets decreased $175,122 from $1,124,149 at June 30, 2017, to $949,027 at March 31, 2018. The decrease was mainly due to the decrease in funds held at ASCIP and the County Pool. The funds were used to pay claims and expenses and to pay ASCIP for assuming the outstanding claims liability.

Prior to fiscal year 2003-04, SOCPLJPA has always deposited all its monies with the county treasury. In 2003-04, the Board of Directors revised SOCPLJPA's investment policy allowing the JPA to invest excess funds with the ASCIP, a public entity risk pool that is authorized to make investments that are legally permissible under the *California Government Code*, Section 53601. At the end of March 31, 2018, SOCPLJPA had a total investment of $923,409 with ASCIP.

As of March 31, 2018, SOCPLJPA has no more claims liability. The outstanding claims liability as of March 31, 2018 was assumed by ASCIP.

During the nine months ended March 31, 2018, SOCPLJPA had no member contributions since the JPA discontinued offering coverage to its members effective July 1, 2015.

SOCPLJPA incurred a total expenditure of $99,653 during the nine-month period. The total expenditure included $83,718 payment to ASCIP for assuming the outstanding claims liability.

Net position decreased by $85,717 to an ending balance of $949,027 at March 31, 2018.

STATEMENT OF NET POSITION

	2018	2017
ASSETS		
Current assets	$ 949,027	$ 1,124,149
Total Assets	949,027	1,124,149
LIABILITIES		
Current liabilities	-	89,405
Total Liabilities	-	89,405
NET POSITION		
Net position, undesignated	949,027	1,034,744
Total Net Position	$ 949,027	$ 1,034,744

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2018	2017
Operating Expenses:		
(Credit) for claims liability and claims paid	$ (51,039)	$ (123,555)
Assumption of claims liability	83,718	-
Contract services/administrative expenses	66,974	62,776
Distributions	-	206,478
Total Operating Expenses	99,653	145,699
Non-Operating Revenues:		
Interest income	13,936	17,873
Total Non-Operating Revenues	13,936	17,873
Change in Net Position	(85,717)	(127,826)
Total Net Position, Beginning of Year	1,034,744	1,162,570
Total Net Position, End of Year	$ 949,027	$ 1,034,744

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of SOCPLJPA's finances and to show SOCPLJPA's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ms. Barbara Ott, Secretary-Treasurer, at Brea-Olinda Unified School District, Number One Civic Center Circle, P.O. Box 300, Brea, California 92821-300, or e-mail at bott@bousd.k12.ca.us

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

STATEMENT OF NET POSITION
MARCH 31, 2018

ASSETS	
Current Assets	
Deposits and investments	$ 948,981
Interest Receivable	46
Total Assets	949,027
NET POSITION - UNRESTRICTED	$ 949,027

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

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE PERIOD OF JULY 1, 2017 THROUGH MARCH 31, 2018

OPERATING EXPENSES		
Claims paid, net of member deductibles of $12,799	$	38,366
Credit for unpaid claims liability		(89,405)
Assumption of claims liability		83,718
JPA administration		55,250
Other operating expenses		11,724
Total Operating Expenses		99,653
Operating Loss		(99,653)
NON-OPERATING REVENUES		
Interest		422
Investment earnings, ASCIP		13,514
Total Non-Operating Revenues		13,936
CHANGE IN NET POSITION		(85,717)
NET POSITION, BEGINNING OF YEAR		1,034,744
NET POSITION, END OF YEAR	$	949,027

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

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Southern Orange County Property/Liability
Joint Powers Authority
Brea, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southern Orange County Property/Liability Joint Powers Authority (the Authority) as of and for the period of July 1, 2017 through March 31, 2018, and the related notes to the financial statements, which collectively comprise Southern Orange County Property/Liability Joint Powers Authority's basic financial statements, and have issued our report thereon dated May 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Orange County Property/Liability Joint Powers Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Orange County Property/Liability Joint Powers Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Orange County Property/Liability Joint Powers Authority's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Varinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
May 25, 2018

SCHEDULE OF FINDINGS

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

SCHEDULE OF FINANCIAL STATEMENT FINDINGS FOR THE PERIOD OF JULY 1, 2017 THROUGH MARCH 31, 2018

There were no findings related to the financial statements that are required to be reported in accordance with *Governmental Auditing Standards*.

SOUTHERN ORANGE COUNTY PROPERTY/LIABILITY JOINT POWERS AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE PERIOD OF JULY 1, 2017 THROUGH MARCH 31, 2018

There were no audit findings reported in the prior year's schedule of financial statement findings.