VALLEY INSURANCE PROGRAM
JOINT POWERS AGENCY
(VIPJPA)

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY

(VIPJPA)

JUNE 30, 2016

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VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY

(VIPJPA)

JUNE 30, 2016

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FINANCIAL STATEMENTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
Valley Insurance Program Joint Powers Agency
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Insurance Program Joint Powers Agency (VIPJPA or the Agency) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of VIPJPA as of June 30, 2016, 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

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 10 and claims development information and the reconciliation of claims liabilities by type of Contract on pages 33 through 37 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 financial statements that collectively comprise the VIPJPA's basic financial statements. The accompanying combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the VIPJPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 VIPJPA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Valley Insurance Program Joint Powers Agency (VIPJPA or the Agency) is pleased to present the following discussion and analysis that provides an overview of the financial position and activities of the Agency for the year ended June 30, 2016. This discussion should be read in conjunction with the financial statements and accompanying notes, which follow this section.

Overview of the VIPJPA

VIPJPA is a Joint Powers Agency created in 1986 by Community College Districts in the Central Valley of California to provide a pooled approach to insurance pursuant to the *California Government Code*. VIPJPA consists of three members throughout California and maintains pooled coverage programs for its member districts for Workers' Compensation, General/Employment Practices Liability, Property, and Auto Physical Damage (APD) insurance. VIPJPA also provides group purchase (including excess) insurance programs for its members for the above listed coverage.

VIPJPA contracts with Alliance of Schools for Cooperative Insurance Programs (ASCIP), a public agency joint powers authority (JPA), to handle the day-to-day operations of VIPJPA. ASCIP's employees offer financial management, general administration, risk management, safety and loss control, claims and litigation management, to support and mitigate losses, and other services as necessary for the operations of VIPJPA.

Financial Highlights for the Fiscal Year Ended June 30, 2016

Assets	$21.6 million	Increased 1.0 percent or $0.2 million from the prior year due to an increase in investments and accounts receivable of $0.3 million, offsetting with a decrease of $0.1 million in cash. The increase was primarily due to the increase in reinvestment of the investment income in the portfolio. Claim payments made during the year exceeded the member contributions resulting in the decrease in cash.
Liabilities	$5.3 million	Increased 11 percent or $0.5 million from the prior year due to an increase in accounts payable and Special Project Funds of $1.2 million, offsetting with a decrease of $0.7 million in claims liability. The Board declared equity distribution during fiscal year 2015-2016.
Operating and non-operating revenues	$6.3 million	Increased 9.0 percent or $0.5 million from the prior year due to an increase in premium contributions from the Workers' Compensation and Property Programs.
Operating expenses	$5.5 million	Increased 24 percent or $1.1 million from the prior year due to an increase in claims expense and insurance of $0.7 million and $0.4 million, respectively. The increase in claims expense was mainly due to a smaller reduction in the Workers' Compensation and Property Program's claims reserve and projected ultimate losses.

Valley Insurance Program Joint Powers Agency
Merced Community College District - State Center Community College District - Yosemite Community College District
16550 Bloomfield Avenue, Cerritos, CA 90703 ● Phone: 562 404-8029 Fax: 562 404-8038

Description of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The statements are accompanied by footnotes to clarify unique accounting policies and other financial information, and required supplementary information. The assets, liabilities, revenues, and expenses of the Agency are reported on a full-accrual basis.

The **Statement of Net Position** presents information on all of the Agency's assets and liabilities, with the difference between the two representing net position (equity). Assets and liabilities are classified as current or noncurrent. Changes from one year to the next in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position.

The **Statement of Revenues, Expenses, and Changes in Net Position** are the Agency's income statement. Revenues earned and expenses incurred during the year are classified as either "operating" or "nonoperating". All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years (e.g., the expense associated with the increase in claim liability involving cash outlay beyond the date of the financial statements).

The **Statement of Cash Flows** presents the changes in the Agency's cash and cash equivalents during the fiscal year. This statement is prepared using the direct and indirect method of cash flow. The statement breaks the sources and uses of the Agency's cash and cash equivalents into two categories:

- Operating expenses
- Investing activities

The Agency's routine activities appear in the operating activities while sales and purchases of investments and interest income are part of investing activities.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of the Agency's operations and significant accounting policies, as well as clarify unique financial information.

Following the basic financial statements and footnotes is **Required Supplementary Information**, which provides further detail on claims activities and the financial position and results of each of the Agency's programs: Workers' Compensation, General/Employment Practices Liability, Property, and Auto Physical Damage.

Analysis of Overall Financial Position and Results of Operations

The following sections provide additional details on the Agency's financial position and activities for fiscal years 2016 and 2015.

I. Condensed Statement of Net Position

For the Years Ended June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets	$ 12,756,753	$ 11,648,286
Noncurrent assets	8,871,151	9,766,275
Total Assets	21,627,904	21,414,561
LIABILITIES		
Current liabilities	2,567,650	1,641,118
Unpaid claims and claims adjustment expense, net of current portion	2,823,053	3,231,204
Total Liabilities	5,390,703	4,872,322
NET POSITION		
Reserved	16,237,201	16,542,239
Total Net Position	$ 16,237,201	$ 16,542,239

Agency's Pool Assets

Total assets increased 1.0 percent or $0.2 million from $21.4 million to $21.6 million at June 30, 2016. This increase occurred primarily in investment and accounts receivable, offsetting by a decrease in cash. The Agency's total investment and accounts receivable increased by $240,000 and $12,000, respectively, while cash decreased by $40,000. For the current fiscal year, the Agency collected approximately $6.3 million in cash from the member contributions and investment income and paid a total of $6.2 million in claims and operating expenses, resulting in a decrease of $0.1 million in cash.

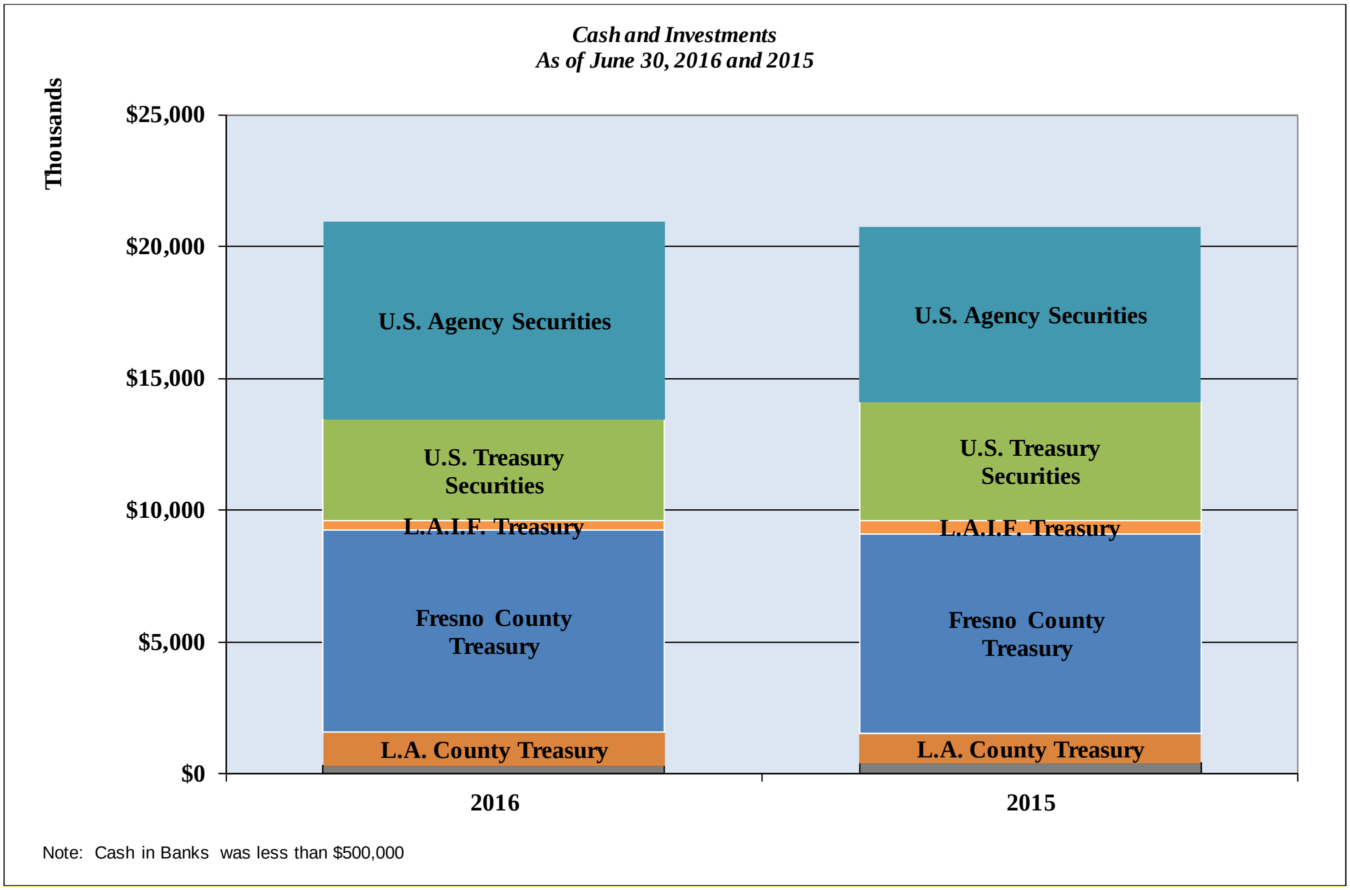
As of June 30, 2016, the Agency has a total cash balance of approximately $9.5 million which consists of $0.3 million in the claims trust accounts with California Bank & Trust, $7.7 million in the County of Fresno Treasury Investment Pool, $1.2 million in the Los Angeles County Treasury Investment Pool, and $0.3 million in the Local Agency Investment Fund (LAIF), an external investment pool managed by the State Treasurer's Office.

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The Agency's intermediate to long-term investments are managed by Public Financial Management (PFM) and held in a custodial account with US Bank. The managed portfolio consists of fixed income securities purchased and held in accordance with the Agency's investment policy and the *California Government Code*. As of June 30, 2016, the investment portfolio has a fair market value of $11.3 million, compared to $11.1 million at the end of the prior fiscal year. The change in the investment portfolio balance was mainly due to the $0.2 million investment income which was reinvested in the portfolio. In addition, the unrealized gain of $40,000 and a realized gain of $17,000 of market value attributed to the investment portfolio change. Over the 12 month period, the portfolio average yield to maturity increased by 19 basis points from 0.92 percent as of June 30, 2015, to 1.11 percent as of June 30, 2016.

The following graph depicts the make-up of the Agency's cash and investments.



The ability of the Agency's excess funds to earn investment income has a direct effect on the program rates, as this income is used to discount future liabilities. When investments fall short of projections, additional funding may be required to meet actuarial estimates. The Agency takes these interest rate conditions into consideration when developing annual premium contributions.

Agency Pool Liabilities

Total liabilities increased 11 percent or $0.5 million from the prior year to $5.3 million at June 30, 2016. The increase was due to the increase in dividend payable and special project fund at $1.1 million and $0.1 million, respectively. At the end of the fiscal year, the Board declared an equity distribution and assessment with a net amount of $1,067,871 to be distributed to the members from program years 1992-1993 through 1995-1996 and 50 percent equity of 2004-2005. These fiscal years have no open claims and are eligible for equity distribution under the Agency's Assessment/Dividend Allocation Plan.

The total claims liabilities for Workers' Compensation and Property Programs decreased by $0.7 million from $3.8 million at June 30, 2015, to $3.1 million at June 30, 2016. The overall decrease mainly resulted from a decrease in the Workers' Compensation and Property Program's case reserve and projected ultimate losses as actuarially determined. The closing of all tail claims in the Property Program and a favorable claims experience in the Workers' Compensation Program also contributed to the decrease in outstanding claims liabilities.

II. Condensed Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenue:		
Member contributions	**$ 4,978,092**	**$ 5,613,091**
Operating Expenses:		
Provisions for claims and claim adjustment expense	(394,935)	(1,085,459)
Commercial excess insurance premiums	5,783,369	5,377,177
Claims administration and ULAE reserves	24,288	44,697
Contract services/administrative expenses	169,407	149,443
Total Operating Expenses	**5,582,129**	**4,485,858**
Non-Operating Revenue - Investment Income	**298,999**	**213,102**
Increase in Net Position	(305,038)	1,340,335
Total Net Position, Beginning of Year	16,542,239	15,201,904
Total Net Position, End of Year	**$ 16,237,201**	**$ 16,542,239**

Revenues (Operating and Nonoperating)

For the fiscal year ended June 30, 2016, total revenues (operating and nonoperating) increased 9 percent or $0.5 million over the prior year. The increase was due to a slight increase in the contribution rates in the Workers' Compensation and Property Programs. Additionally, an increase in payroll data in the Workers' Compensation Program and total insured value in the Property Program contributed to the increase in total revenues.

Expenses

For the fiscal year ended June 30, 2016, total expenses, direct and indirect, increased $1.1 million, or 24 percent over the prior fiscal year to $5.5 million from $4.4 million. The increase was attributable to the increase in claims and insurance expense.

Claims Expense

Claims expense for the fiscal year 2015-2016 had an increase of $0.7 million over the prior fiscal year. The increase was primarily due to a smaller reduction in the Workers' Compensation and Property Program's claims reserve and projected ultimate losses as compared to last year. Both program's outstanding claims reserve and projected ultimate losses was reduced by $0.6 million in the current fiscal year compared to $1.5 million in the previous fiscal year. Since program year 2010-2011, the Agency has been purchasing dollar-one coverage from Alliance of Schools for Cooperative Insurance Programs (ASCIP) for its Workers' Compensation and Liability Programs. In doing so, the Agency has effectively transferred all risks to ASCIP; therefore, in the last five years, the Agency's outstanding claims liabilities on the tail claims that occurred before program year 2010-2011 have continued to decline as payments on these claims have been made.

Insurance Expense

In order to avoid incurring a catastrophic or severe loss in any one program year, the Agency purchased insurance in each of its program. For the fiscal year ending June 30, 2016, the Agency experienced an increase of $0.4 million in insurance compared to the prior year. The Workers' Compensation and Property Programs increased by $385,000 and $31,000, respectively. The increases were driven by a slight increase in insurance rates, as well as increases in payroll data and total insured value.

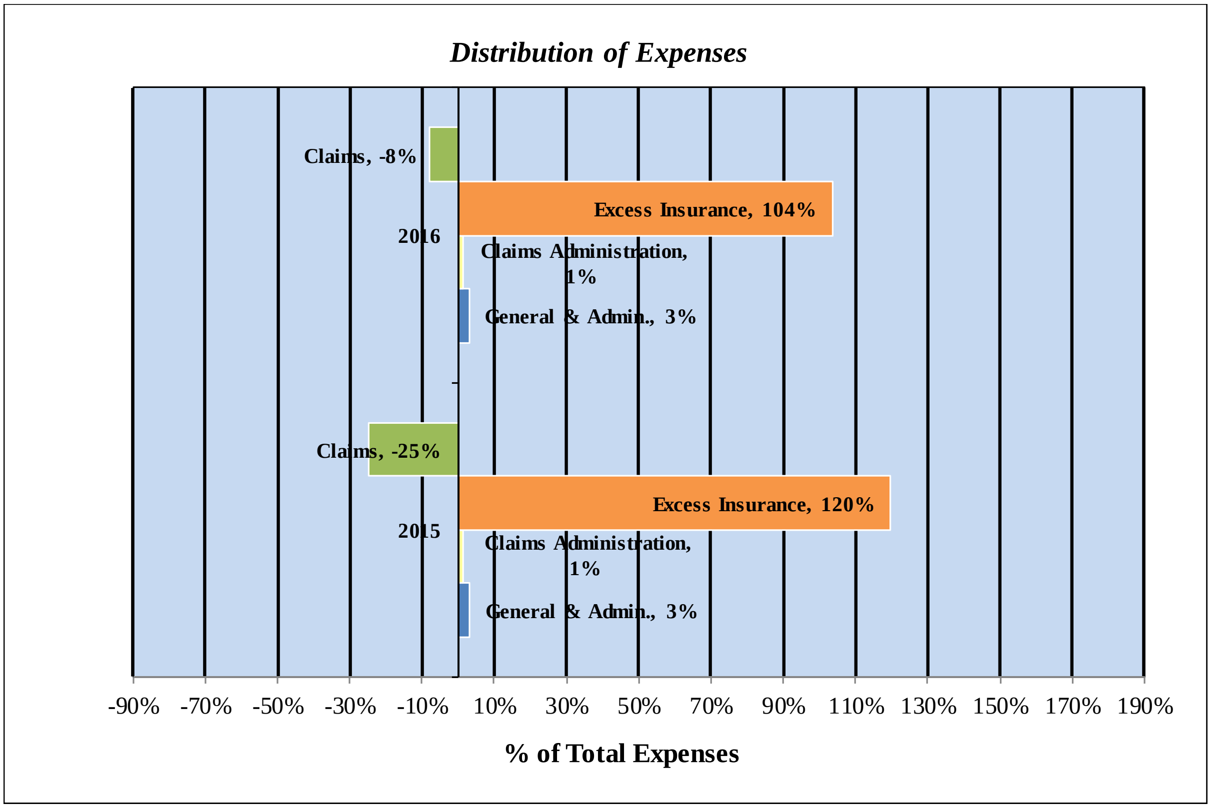
General and Administrative Expenses

The Agency incurred a total of $0.1 million in general and administrative expenses, an increase of $20,000 from the prior year. The increase was mainly due to a $16,000 increase in legal services from prior year. No extraordinary expense occurred during the fiscal year.

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The following chart displays the allocation of the Agency's expenses for the fiscal years as of June 30, 2016 and 2015:



VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	
Cash and cash equivalents	$ 9,588,712
Receivables	672,067
Investments maturing within one year	2,495,974
Total Current Assets	12,756,753
Investments, net of amount maturing within one year	8,871,151
Total Assets	21,627,904
LIABILITIES	
Accounts payable	125,808
Retrospective premium payable	1,097,927
Special projects funding	1,042,915
Current portion of unpaid claims	301,000
Total Current Liabilities	2,567,650
Unpaid claims and claims adjustment expenses, net of current portion	2,823,053
Total Liabilities	5,390,703
NET POSITION	
Net Position, Unrestricted	16,237,201
Total Net Position	$ 16,237,201

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

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

REVENUES	
Premium deposits from members	$ 6,045,963
Less: Retrospective premium deposit ratings adjustment	(1,067,871)
Total Operating Revenues	4,978,092
EXPENSES	
Direct Operating Expenses:	
Claims expense	235,829
Provision for IBNR and case reserves	(630,764)
Excess insurance premium	5,783,369
Contract Services:	
Claims administration	65,675
Provision for ULAE reserves	(41,387)
General and Administrative Expenses:	
Program administration	100,000
Investment advisory service	11,236
Other operating expenses	58,171
Total Operating Expenses	5,582,129
Operating Loss	(604,037)
NON-OPERATING REVENUES	
Interest and dividend income	258,368
Net increase in fair value of investments	40,631
Total Non-Operating Revenues	298,999
CHANGE IN NET POSITION	(305,038)
NET POSITION, BEGINNING OF YEAR	16,542,239
NET POSITION, END OF YEAR	$ 16,237,201

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

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for premium contributions and other income	$	4,966,694
Claims paid		(301,504)
Cash paid for benefits, insurance, and other expenses		(5,179,312)
Net Cash Used in Operating Activities		(514,122)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received		258,368
Purchase of investments		(12,745,384)
Proceeds from sales and maturities of investments		12,962,533
Net Cash Provided by Investing Activities		475,517
NET DECREASE IN CASH AND CASH EQUIVALENTS		(38,605)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		9,627,317
CASH AND CASH EQUIVALENTS, END OF YEAR	$	9,588,712
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$	(604,037)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Increase in accounts receivable		(11,398)
Increase in accounts payable and other liabilities		773,464
Decrease in unpaid claims and adjustments		(672,151)
Net Cash Used in Operating Activities	$	(514,122)
NONCASH INVESTING ACTIVITIES		
Net increase in fair value of investments	$	40,631

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

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Valley Insurance Program Joint Powers Agency (VIPJPA or the Agency) was established under a joint powers agreement (JPA) on October 1, 1986, for the operation of common risk management and loss prevention programs related to public liability, auto liability, property loss, and employment practices liability for member community college districts. Effective July 1, 1987, the Agency established a separate self-funded workers' compensation program.

Membership

As of June 30, 2016, membership in the Agency is as follows:

Yosemite Community College District
State Center Community College District
Merced Community College District

Admission and Withdrawal of Members

Admission

Agencies applying for membership must be approved by a two-thirds vote of the Board Members and execute a copy of the Agency agreement.

Withdrawal

After three complete consecutive years as a member of the Agency, members may voluntarily withdraw at the end of any fiscal year by notifying the Board of Directors, in writing, six months in advance. The effect of withdrawal (or termination) for the pooling programs does not terminate the responsibility of the members to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

Financial Reporting Entity

The reporting entity includes all activities and operations of the executive committee and board of directors as they relate to the Agency. This includes financial activity relating to all of the membership years of the Agency. The Agency has developed criteria to determine whether other entities with activities that benefit the Agency should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility, scope of public service and special financing relationships.

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

Basis of Presentation

The accompanying financial statements are presented as proprietary funds on the accrual basis of accounting in accordance with Governmental Generally Accepted Accounting Principles. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. Operating revenues include member contributions net of any applicable rate credits. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium rebates, and general and administrative expenses. All other revenues and expenses are considered nonoperating. Valley Insurance Program Joint Powers Agency has elected not to apply Financial Accounting Standards Board (FASB) pronouncements after November 30, 1989.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Valley Insurance Program Joint Powers Agency applies all GASB pronouncements, as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. Valley Insurance Program Joint Powers Agency has four enterprise funds and no internal service funds.

Workers' Compensation Fund

The Workers' Compensation Fund was established on July 1, 1987, to account for the pool's self-insured portion of workers' compensation claims, administrative costs, and excess insurance for losses in excess of the self-insured retention. Funding is based on premiums established by the Board. Effective October 1, 2010, Valley Insurance Program Joint Powers Agency purchased the dollar-one coverage from ASCIP.

Member Retention:	$0
Self-Insured Retention:	$0
Excess Coverage:	$0 up to Statutory Limits - ASCIP

Liability Fund

The General/Employment Practices Liability Fund was established in October 1986, to account for the pool's self-insured and excess coverage for general liability, auto liability, and wrongful acts. Effective October 1, 2010, Valley Insurance Program Joint Powers Agency purchased the dollar-one coverage from ASCIP.

Member Retention:	$0
Self-Insured Retention:	$0
Excess Coverage:	$0 up to $5,000,000 per occurrence - ASCIP $5,000,001 up to $55,000,000 per occurrence - Schools Excess Liability Fund (SELF)

Property Fund

The Property Fund was established in October 1986, to account for the pool's self-insured and excess coverage for property damage.

Member Retention:	$5,000
Excess Coverage:	$5,001 up to $1,000,000 per occurrence - ASCIP
	$1,000,001 up to $500,000,000 per occurrence - ASCIP's excess carrier

Auto Physical Damage Fund

The Auto Physical Damage Fund was established on October 2002, to account for the pool's self-insured and excess coverage for automobile damage.

Member Retention:	$1,500
Self-Insured Retention:	$0 per occurrence
Excess Coverage:	$1,501 up to Replacement Cost - ASCIP

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Valley Insurance Program Joint Powers Agency considers investments in County Treasurer, investment in the State Investment Pool, and money market mutual funds to be cash equivalents.

Investment and Investment Pools

Valley Insurance Program Joint Powers Agency records its investments at fair value and cash in Local Agency Investment Fund and County Treasury (investment pools) at cost which approximates fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses, and Changes in Net Position. The effect of recording investments and investment pools at fair value is reflected as a net change in the fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position.

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

Unpaid Claims Liabilities

Valley Insurance Program Joint Powers Agency establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage's such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Excess Insurance

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

Income Taxes

Valley Insurance Program Joint Powers Agency's income is exempt from Federal income taxes under *Internal Revenue Code* Section 115 and the corresponding section of the California Revenue and Taxation Code.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2016, consists of the following:

Cash in banks	$	323,835
Investments classified as cash equivalents		
Investment in State investment pool		328,203
Investment in County treasury		8,936,674
		9,264,877
Total Cash and Cash Equivalents	$	9,588,712

Investments

Investments as of June 30, 2016, are classified as follows:

Investments maturing within one year		
Unrestricted	$	2,495,974
Investments maturing after one year		
Unrestricted		8,871,151
Total Investments	$	11,367,125

Policies and Practices

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

Investment in County Treasury

Valley Insurance Program Joint Powers Agency is a voluntary participant in the Los Angeles County and Fresno County investment pools. The fair value of Valley Insurance Program Joint Powers Agency's investment in the pools is reported in the accounting financial statements at amounts based upon VIPJPA's pro-rata share of the fair value provided by the County Treasurers for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurers, which is recorded on the amortized cost basis. For additional information visit the Los Angeles County Treasurer's website at: www.ttax.co.la.ca.us or the Fresno County Treasurer's website at www.co.fresno.ca.us/departments.

Investment in the State Investment Pool

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Municipal Securities	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Supranationals	5 years	10%	None
Banker's Acceptance	180 days	40%	5%
Commercial Paper	270 days	15%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	5%
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	None
Asset-Backed Securitas	5 years	5%	5%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None*	None
Joint Powers Authority Pools	N/A	None	None

*Maximum of $50 million per investor.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Valley Insurance Program Joint Powers Agency's manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of Valley Insurance Program Joint Powers Agency's cash equivalents and investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of Valley Insurance Program Joint Powers Agency's investment by maturity:

Cash/Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months
County Pool	$ 8,936,674	$ -	$ -	$ 8,936,674
State Investment Pool	328,203	328,203	-	-
	9,264,877	328,203	-	8,936,674
U.S. Treasuries	3,858,463	-	-	3,858,463
U.S. Agencies	1,982,674	-	1,083,520	899,154
Corporate Bonds	2,580,896	612,099	1,262,376	706,421
Commercial Paper	149,196	149,196	-	-
Certificates of Deposit	2,795,896	1,406,476	1,389,420	-
	11,367,125	2,167,771	3,735,316	5,464,038
Total	$ 20,632,002	$ 2,495,974	$ 3,735,316	$ 14,400,712

Credit Risk

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

Cash/Investment Type	Fair Value	Minimum Legal Rating	S & P Rating as of Year End AAA	AA+	AA	AA-
U.S. Treasuries	$ 3,858,463	**	$ -	$ 3,858,463	$ -	$ -
U.S. Agencies	1,982,674	*	-	1,982,674	-	-
Corporate Bonds	2,580,896	A-	256,418	302,341	474,067	1,272,965
Commercial Paper	149,196	*	-	-	-	-
Certificates of Deposit	2,795,896	*	-	-	-	837,714
County Pool	8,936,674	*	-	-	-	-
State Investment Pool	328,203	*	-	-	-	-
Total	$ 20,632,002		$ 256,418	$ 6,143,478	$ 474,067	$ 2,110,679

Cash/Investment Type	Fair Value	Minimum Legal Rating	S & P Rating as of Year End A	A-1+	A-1	Unrated
U.S. Treasuries	$ 3,858,463	**	$ -	$ -	$ -	$ -
U.S. Agencies	1,982,674	*	-	-	-	-
Corporate Bonds	2,580,896	A-	275,105	-	-	-
Commercial Paper	149,196	*	-	149,196		-
Certificates of Deposit	2,795,896	*	-	550,651	1,407,531	-
County Pool	8,936,674	*	-	-	-	8,936,674
State Investment Pool	328,203	*	-	-	-	328,203
Total	$ 20,632,002		$ 275,105	$ 699,847	$ 1,407,531	$ 9,264,877

* Not required to be rated

** Exempt from disclosure

Concentration of Credit Risk

The investment policy of Valley Insurance Program Joint Powers Agency contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*. At June 30, 2016, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total investments.

Custodial Credit Risk

Deposits (Banks)

This is the risk that in the event of a bank failure, Valley Insurance Program Joint Powers Agency's deposits may not be returned to it. Valley Insurance Program Joint Powers Agency does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (the governmental unit may waive collateral for amounts covered by Federal deposit insurance). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, Valley Insurance Program Joint Powers Agency's bank balance was fully insured.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Valley Insurance Program Joint Powers Agency 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 Valley Insurance Program Joint Powers Agency 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 Valley Insurance Program Joint Powers Agency's own data. The Valley Insurance Program Joint Powers Agency should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the Valley Insurance Program Joint Powers Agency are not available to other market participants.

Uncategorized - Investments in the Los Angeles County and Fresno County’s Treasury Investment Pools and the Local Area Investment Funds are not measured using the input levels above because the Valley Insurance Program Joint Powers Agency's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The Valley Insurance Program Joint Powers Agency's fair value measurements are as follows at June 30, 2016:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
U.S. Treasuries	$ 3,858,463	$ 3,858,463	$ -	$ -	$ -
U.S. Agencies	1,982,674	-	1,982,674	-	-
Certificates of Deposit	2,795,896	-	2,795,896	-	-
Commercial Paper	149,196	-	149,196	-	-
Corporate Bonds	2,580,896	-	2,580,896	-	-
County Pool	8,936,674	-	-	-	8,936,674
State Investment Pool	328,203	-	-	-	328,203
Total	$ 20,632,002	$ 3,858,463	$ 7,508,662	$ -	$ 9,264,877

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consist of the following:

	Workers' Compensation Fund	Liability Fund	Property Fund	Auto Physical Damage Fund	Total
Premium adjustment	$ 108,431	$ -	$ -	$ -	$ 108,431
Retrospective premium receivable	-	-	30,056	-	30,056
Reinsurance receivable	472,550	-	-	-	472,550
Interest receivable	50,466	9,916	487	144	61,013
Other accounts receivable	17	-	-	-	17
Total	$ 631,464	$ 9,916	$ 30,543	$ 144	$ 672,067

NOTE 5 - ACCOUNTS/PREMIUM PAYABLE

Accounts/Premium payable at June 30, 2016, consists of the following:

	Workers' Compensation Fund	Liability Fund	Property Fund	Auto Physical Damage Fund	Total
Other services and operating expenses	$ 124,553	$ 980	$ 189	$ 86	$ 125,808

NOTE 6 - UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

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

The liability recorded for incurred losses is based on information obtained from independent actuarial reports. The supporting information provided by Valley Insurance Program Joint Powers Agency relies on the continuance of certain historical trends and forecasts of future activities and conditions. Although management believes that the claims payable for losses and loss expenses at June 30, 2016, is adequate, the ultimate settlement of claims and related expenses may vary from the liability recorded.

NOTE 7 - RECONCILIATION OF UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

As discussed in Note 6, Valley Insurance Program Joint Powers Agency establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related legal expenses. The following represents changes in those aggregate liabilities for Valley Insurance Program Joint Powers Agency during the fiscal years ended June 30, 2016 and 2015:

	2016	2015
Unpaid claims at beginning of year	$ 3,796,204	$ 5,401,090
Incurred claims and claim adjustment expenses:		
Decrease in provision for insured events of prior years	(370,647)	(1,040,762)
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior years	301,504	564,124
Total unpaid claims at end of year	3,124,053	3,796,204
Current portion	(301,000)	(565,000)
Noncurrent portion	$ 2,823,053	$ 3,231,204

NOTE 8 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

Valley Insurance Program Joint Powers Agency's member agencies are members of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Excess Liability Fund (SELF) public entity risk pools. Member agencies pay an annual premium to ASCIP and SELF for excess insurance coverage for workers' compensation and property and liability claims. The relationship between Valley Insurance Program Joint Powers Agency and ASCIP and SELF is such that ASCIP and SELF are not component units of Valley Insurance Program Joint Powers Agency for financial reporting purposes. The governing board consists of elected representative of the members by region.

ASCIP and SELF have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between ASCIP and SELF and Valley Insurance Program Joint Powers Agency are included in these statements. The payments to ASCIP and SELF for the year ended June 30, 2016, were $4,970,063 and $135,500, respectively. Audited financial statements are available from ASCIP at their website, www.ascip.org, and SELF at their website, www.selfjpa.org.

NOTE 9 - CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

CLAIMS DEVELOPMENT INFORMATION JUNE 30, 2016

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

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of Valley Insurance Program Joint Powers Agency including overhead and claims expense not allocable to individual claims.

3. This line shows Valley Insurance Program Joint Powers Agency's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called *policy year*).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.)

7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
JUNE 30, 2016

CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)

	For the Policy Year Ended September 30,			
	2007	2008	2009	2010
(1) Required contribution and investment revenue:				
Earned	$ 4,668,028	$ 4,576,063	$ 4,161,563	$ 3,750,211
Ceded	(278,086)	(173,246)	(185,542)	(162,666)
Net earned	4,389,942	4,402,817	3,976,021	3,587,545
(2) Unallocated expenses:	423,868	437,751	494,541	504,150
(3) Estimated claims and expenses, end of policy year:				
Incurred	2,000,000	2,500,000	2,500,000	2,600,000
Ceded	(100,000)	(100,000)	-	-
Net incurred	1,900,000	2,400,000	2,500,000	2,600,000
(4) Net paid (cumulative) as of:				
End of Year	208,759	652,902	299,877	404,348
One Year Later	538,336	1,183,082	680,015	640,358
Two Years Later	867,067	1,368,600	869,244	1,050,781
Three Years Later	1,055,786	1,441,900	1,026,222	1,272,287
Four Years Later	1,171,033	1,489,944	1,127,828	1,358,615
Five Years Later	1,289,590	1,643,400	1,249,940	1,544,546
Six Years Later	1,366,057	1,712,478	1,421,426	-
Seven Years Later	1,436,015	1,788,267	-	-
Eight Years Later	1,473,599	-	-	-
Nine Years Later	1,521,069	-	-	-
(5) Re-estimated ceded claims and expenses:	100,000	100,000	-	-
(6) Re-estimated net incurred claims and expenses:				
End of Year	1,900,000	2,400,000	2,500,000	2,600,000
One Year Later	2,100,000	3,100,000	2,500,000	2,500,000
Two Years Later	2,200,000	2,800,000	2,400,000	2,600,000
Three Years Later	2,400,000	2,630,000	2,110,000	2,250,000
Four Years Later	2,220,000	2,530,000	1,740,000	2,230,000
Five Years Later	2,300,000	2,560,000	1,860,000	2,330,000
Six Years Later	2,120,000	2,750,000	1,640,000	-
Seven Years Later	2,030,000	2,400,000	-	-
Eight Years Later	2,000,000	-	-	-
Nine Years Later	1,840,000	-	-	-
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	$ 60,000	$ -	$ 860,000	$ 270,000

			June 30,		
2011	2012	2013	2014	2015	2016
$ 2,558,521	$ 3,265,578	$ 3,179,904	$ 3,606,520	$ 3,912,878	$ 4,402,327
(2,249,836)	(2,927,174)	(2,944,199)	(3,278,033)	(3,615,438)	(4,001,097)
308,685	338,404	235,705	328,487	297,440	401,230
146,392	139,444	126,857	162,917	113,528	104,158
-	-	-	-	-	-
-	-	-	-	-	-
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-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

CLAIMS DEVELOPMENT INFORMATION
LIABILITY PROGRAM
JUNE 30, 2016

CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)

	For the Policy Year Ended September 30,			
	2007	2008	2009	2010
(1) Required contribution and investment revenue:				
Earned	$ 1,764,872	$ 1,739,200	$ 1,603,141	$ 1,498,431
Ceded	(582,168)	(427,237)	(439,671)	(436,362)
Net earned (paid)	1,182,704	1,311,963	1,163,470	1,062,069
(2) Unallocated expenses:	265,458	293,348	318,923	280,651
(3) Estimated claims and expenses, end of policy year:				
Incurred	710,607	936,715	800,000	630,000
Ceded *(a)*	-	-	-	-
Net incurred	710,607	936,715	800,000	630,000
(4) Net paid (cumulative) as of:				
End of Year	48,845	11,239	39,795	44,954
One Year Later	163,394	194,415	302,686	65,487
Two Years Later	294,937	620,276	363,408	178,246
Three Years Later	446,114	884,697	501,234	308,308
Four Years Later	623,087	1,041,655	501,234	380,708
Five Years Later	623,347	1,041,655	501,234	380,708
Six Years Later	623,347	1,041,655	501,234	-
Seven Years Later	623,347	1,041,655	-	-
Eight Years Later	623,347	-	-	-
Nine Years Later	623,347	-	-	-
(5) Re-estimated ceded claims and expenses:	-	-	-	-
(6) Re-estimated net incurred claims and expenses:				
End of Year	710,607	936,715	800,000	630,000
One Year Later	847,757	810,000	710,000	980,000
Two Years Later	580,000	1,050,000	1,050,000	690,000
Three Years Later	630,000	1,090,000	501,234	399,820
Four Years Later	660,000	1,041,655	549,645	380,708
Five Years Later	623,347	1,088,961	501,234	380,708
Six Years Later	644,615	1,041,655	501,234	-
Seven Years Later	623,347	1,041,655	-	-
Eight Years Later	623,347	-	-	-
Nine Years Later	623,347	-	-	-
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	$ 87,260	$ (104,940)	$ 298,766	$ 249,292

(a) Estimate for ceded losses was not available
Note: Effective October 1, 2010, the policy year changed from September 30 to June 30.

June 30,					
2011	2012	2013	2014	2015	2016
$ 967,806	$ 1,546,739	$ 1,337,541	$ 1,358,889	$ 1,367,470	$ 1,365,495
(1,032,995)	(1,360,717)	(1,235,298)	(1,234,704)	(1,244,913)	(1,235,118)
(65,189)	186,022	102,243	124,185	122,557	130,377
62,566	66,675	66,675	59,121	66,096	68,157
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

CLAIMS DEVELOPMENT INFORMATION
PROPERTY PROGRAM
JUNE 30, 2016

CLAIMS DEVELOPMENT INFORMATION
POLICY YEAR ENDED (In Thousands)

	For the Policy Year Ended September 30,			
	2007	2008	2009	2010
(1) Required contribution and investment revenue:				
Earned	$ 488,934	$ 508,865	$ 539,354	$ 472,180
Ceded	(372,303)	(391,675)	(436,295)	(375,977)
Net earned	116,631	117,190	103,059	96,203
(2) Unallocated expenses:	37,228	45,941	51,017	43,737
(3) Estimated claims and expenses, end of policy year:				
Incurred	21,487	29,827	53,745	8,765
Ceded *(a)*	-	-	-	-
Net incurred	21,487	29,827	53,745	8,765
(4) Net paid (cumulative) as of:				
End of Year	20,218	29,290	5,201	8,765
One Year Later	21,487	29,290	24,908	8,765
Two Years Later	21,487	29,290	24,908	8,765
Three Years Later	21,487	29,290	24,908	8,765
Four Years Later	21,487	29,920	24,908	8,765
Five Years Later	21,487	29,290	24,908	8,765
Six Years Later	21,487	29,290	24,908	-
Seven Years Later	21,487	29,920	-	-
Eight Years Later	21,487	-	-	-
Nine Years Later	21,487	-	-	-
(5) Re-estimated ceded claims and expenses:	-	-	-	-
(6) Re-estimated net incurred claims and expenses:				
End of Year	21,487	29,827	53,745	8,765
One Year Later	21,487	29,290	24,908	8,765
Two Years Later	21,487	29,290	24,908	8,765
Three Years Later	21,487	29,290	24,908	8,765
Four Years Later	21,487	29,290	24,908	8,765
Five Years Later	21,487	29,290	24,908	8,765
Six Years Later	21,487	29,290	24,908	-
Seven Years Later	21,487	29,290	-	-
Eight Years Later	21,487	-	-	-
Nine Years Later	21,487	-	-	-
(7) (Increase) decrease in estimated incurred claims and expenses from the end of the policy year:	$ -	$ 537	$ 28,837	$ -

(a) Estimate for ceded losses was not available
Note: Effective October 1, 2010, the policy year changed from September 30 to June 30.

June 30,					
2011	2012	2013	2014	2015	2016
$ 301,858	$ 364,858	$ 402,527	$ 457,168	$ 545,845	$ 552,917
(222,350)	(220,350)	(337,341)	(358,660)	(516,826)	(531,837)
79,508	144,508	65,186	98,508	29,019	21,080
12,898	20,734	20,962	25,950	14,516	14,632
222,168	146,812	100,894	214,693	-	-
-	-	-	-	-	-
222,168	146,812	100,894	214,693	-	-
-	-	100,894	206,363	-	-
-	146,812	100,894	256,363	-	-
222,168	146,812	100,894	-	-	-
222,168	146,812	-	-	-	-
278,398	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	100,894	214,693	-	-
-	146,812	100,894	256,363	-	-
222,168	146,812	100,894	-	-	-
222,168	146,812	-	-	-	-
278,398	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ (56,230)	$ -	$ -	$ (41,670)	$ -	$ -

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT JUNE 30, 2016

	Workers' Compensation		Liability	
	2015	2016	2015	2016
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 5,169,336	$ 3,785,354	$ -	$ -
Incurred claims and claim adjustment expenses:				
Increases (decreases) in provision for insured events of prior fiscal years	(828,307)	(359,797)	-	-
Payments:				
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	555,675	301,504	-	-
Total unpaid claims and claim adjustment expenses at end of fiscal year	3,785,354	3,124,053	-	-
Current portion	(556,000)	(301,000)	-	-
Noncurrent portion	$ 3,229,354	$ 2,823,053	$ -	$ -

Property		Auto Physical Damage		Total	
2015	2016	2015	2016	2015	2016
$ 231,754	$ 10,850	$ -	$ -	$ 5,401,090	$ 3,796,204
(212,455)	(10,850)	-	-	(1,040,762)	(370,647)
8,449	-	-	-	564,124	301,504
10,850	-	-	-	3,796,204	3,124,053
(9,000)	-	-	-	(565,000)	(301,000)
$ 1,850	$ -	$ -	$ -	$ 3,231,204	$ 2,823,053

SUPPLEMENTARY INFORMATION

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Workers' Compensation Fund	Liability Fund	Property Fund	Auto Physical Damage Fund	Total
ASSETS					
Cash and cash equivalents	$ 6,606,772	$ 2,697,662	$ 202,833	$ 81,445	$ 9,588,712
Receivables	631,464	9,916	30,543	144	672,067
Investments maturing within one year	2,363,829	132,145	-	-	2,495,974
Total Current Assets	9,602,065	2,839,723	233,376	81,589	12,756,753
Investments, net of amount maturing within one year	8,401,485	469,666	-	-	8,871,151
Total Assets	18,003,550	3,309,389	233,376	81,589	21,627,904
LIABILITIES					
Accounts payable	124,553	980	189	86	125,808
Retrospective premium payable	882,764	208,643	-	6,520	1,097,927
Special projects funding	1,042,915	-	-	-	1,042,915
Current portion of unpaid claims	301,000	-	-	-	301,000
Total Current Liabilities	2,351,232	209,623	189	6,606	2,567,650
Unpaid claims and claims adjustment expenses, net of current portion	2,823,053	-	-	-	2,823,053
Total Liabilities	5,174,285	209,623	189	6,606	5,390,703
NET POSITION					
Net assets, unrestricted	12,829,265	3,099,766	233,187	74,983	16,237,201
Total Net Position	$ 12,829,265	$ 3,099,766	$ 233,187	$ 74,983	$ 16,237,201

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

	Workers' Compensation Fund	Liability Fund	Property Fund	Auto Physical Damage Fund	Total
REVENUES					
Premium deposits from members	$ 4,147,790	$ 1,323,418	$ 550,937	$ 23,818	$ 6,045,963
Less: Retrospective premium deposit ratings adjustment	(882,764)	(208,643)	30,056	(6,520)	(1,067,871)
Total Operating Revenues	3,265,026	1,114,775	580,993	17,298	4,978,092
EXPENSES					
Direct Operating Expenses:					
Claims expense	235,829	-	-	-	235,829
IBNR adjustment	(620,127)	-	(10,637)	-	(630,764)
Excess insurance	4,001,097	1,235,118	531,837	15,317	5,783,369
Claims administration	65,675	-	-	-	65,675
ULAE adjustment	(41,174)	-	(213)	-	(41,387)
General and Administrative Expenses:					
Program administration	34,000	50,000	11,000	5,000	100,000
Investment advisory service	10,629	607	-	-	11,236
Other operating	35,028	17,550	3,845	1,748	58,171
Total Operating Expenses	3,720,957	1,303,275	535,832	22,065	5,582,129
Operating Income (Loss)	(455,931)	(188,500)	45,161	(4,767)	(604,037)
NON-OPERATING REVENUES					
Interest and dividend income	216,167	39,816	1,980	405	258,368
Net increase in fair value of investments	38,370	2,261	-	-	40,631
Total Non-Operating Revenues	254,537	42,077	1,980	405	298,999
INCREASE (DECREASE) IN NET POSITION	(201,394)	(146,423)	47,141	(4,362)	(305,038)
NET POSITION, BEGINNING OF YEAR	13,030,659	3,246,189	186,046	79,345	16,542,239
NET POSITION, END OF YEAR	$ 12,829,265	$ 3,099,766	$ 233,187	$ 74,983	$ 16,237,201

VALLEY INSURANCE PROGRAM JOINT POWERS AGENCY (VIPJPA)

COMBINING STATEMENT OF CASH FLOWS
JUNE 30, 2016

	Workers' Compensation Fund	Liability Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for premium contributions and other income	$ 3,284,120	$ 1,114,405
Claims and claims adjustments expenses paid	(301,504)	-
Cash paid for benefits, insurance and other expenses	(3,105,221)	(1,511,809)
Net Cash Provided by (Used in) Operating Activities	(122,605)	(397,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	216,167	39,816
Purchase of investments	(12,251,623)	(493,761)
Proceeds from sales and maturities of investments	12,062,433	900,100
Net Cash Provided by Investing Activities	26,977	446,155
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(95,628)	48,751
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,702,400	2,648,911
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,606,772	$ 2,697,662
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (455,931)	$ (188,500)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in Assets and Liabilities:		
Increase (Decrease) in accounts receivable	19,094	(370)
Increase (Decrease) in accounts payable and other liabilities	975,533	(208,534)
Decrease in unpaid claims and adjustments	(661,301)	-
Net Cash Provided by (Used in) Operating Activities	$ (122,605)	$ (397,404)
NONCASH INVESTING ACTIVITIES		
Net increase in fair value of investments	$ 38,370	$ 2,261

Property Fund	Auto Physical Damage Fund	Total
$ 550,920	$ 17,249	$ 4,966,694
-	-	(301,504)
(546,720)	(15,562)	(5,179,312)
4,200	1,687	(514,122)
1,980	405	258,368
-	-	(12,745,384)
-	-	12,962,533
1,980	405	475,517
6,180	2,092	(38,605)
196,653	79,353	9,627,317
$ 202,833	$ 81,445	$ 9,588,712
$ 45,161	$ (4,767)	$ (604,037)
(30,073)	(49)	(11,398)
(38)	6,503	773,464
(10,850)	-	(672,151)
$ 4,200	$ 1,687	$ (514,122)
$ -	$ -	$ 40,631

INDEPENDENT AUDITOR'S REPORT

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
Valley Insurance Program Joint Powers Agency
Sacramento, 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 Valley Insurance Program Joint Powers Agency (VIPJPA or the Agency) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise VIPJPA's basic financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2016