SDRMA

Special District Risk Management Authority

2021-22 Annual Financial Audit

Financial Statements with Independent Auditor's Report

800.537.7790
www.sdrma.org

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS

PRESIDENT

Mike Scheafer
Costa Mesa Sanitary District

VICE-PRESIDENT

Sandy Seifert-Raffelson
Herlong Public Utility District

SECRETARY

Robert Swan
Groveland Community Services District

DIRECTORS

David Aranda, SDA
Stallion Springs Community Services District

Thomas Wright
Clovis Veterans Memorial District

Jesse Claypool
Honey Lake Valley Resource Conservation District

Timothy Unruh, SDA
Kern County Cemetery District #1

****

Laura S. Gill, ARM, ARM-P, CSDM
Chief Executive Officer

Jennifer Chilton, CPA, ARM
Chief Financial Officer

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

TABLE OF CONTENTS

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Special District Risk Management Authority
Sacramento, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Net Position of Special District Risk Management Authority (SDRMA) as of and for the fiscal years ended June 30, 2022 and 2021, and the related Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Special District Risk Management Authority, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Special District Risk Management Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Special District Risk Management Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

701 Howe Avenue, Suite E3, Sacramento, CA 95825 (916) 993-9494 fax (916) 993-9489
www.jpmcpa.com jmarta@jpmcpa.com

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Special District Risk Management Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Special District Risk Management Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Special District Risk Management Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Reconciliation of Claims Liabilities by Type of Contract, Claims Development Information, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions, Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of OPEB Contributions and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 opinion on the financial statements that collectively comprise the Special District Risk Management Authority's basic financial statements. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position, and Graphical Summary of Claims are presented for purposes of additional analysis and are not required parts of the basic financial statements. 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position, and Graphical Summary of Claims 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 1, 2022 on our consideration of Special District Risk Management 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 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 Special District Risk Management Authority's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 1, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Background

As management of Special District Risk Management Authority (SDRMA), we offer readers of SDRMA's financial statements this narrative overview and analysis of the financial activities of SDRMA for the fiscal year ended June 30, 2022 and 2021.

Overview of the Financial Statements

SDRMA operates as a government enterprise fund and utilizes an accrual basis of accounting. SDRMA management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The *Statement of Net Position* provides information on SDRMA's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position.

The *Statement of Revenues, Expenses and Changes in Net Position* provides information showing total revenue and expense and how SDRMA's net position changed during the year.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year.

The *Notes to the Financial Statements* provide additional information that are essential to a full understanding of the of the financial statements.

Captive

On July 1, 2021, SDRMA formed a Captive Reinsurance Company called Special District Reinsurance Group (SDRG). SDRG is domiciled in the state of Utah and is subject to the Utah Department of Insurance regulations to insure only SDRMA's Workers' Compensation risk. SDRG has a five-member governing body made up of current SDRMA board members, staff, and Utah counsel.

Fund Financial Statements

SDRMA operates one enterprise fund to account for its three risk management programs and general administration and operation of SDRMA's building. Each program has its own set of accounts so that each program is kept independent from one another.

The following table shows the net position in each fund:

	2022	2021
Property/Liability	$ 8,717,223	$ 5,580,004
Workers' Compensation	58,055,909	59,161,760
Health Benefits	2,137,767	1,601,523
Special District Reinsurance Group	(1,567,770)	-
Total Net Position	$ 67,343,129	$ 66,343,287

Financial Highlights

SDRMA's assets and deferred outflows exceeded liabilities and deferred inflows at the end of fiscal year 2021-22 by $999,842, resulting in a 1.5% increase to Net Position. The following page shows SDRMA's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2022, 2021 and 2020.

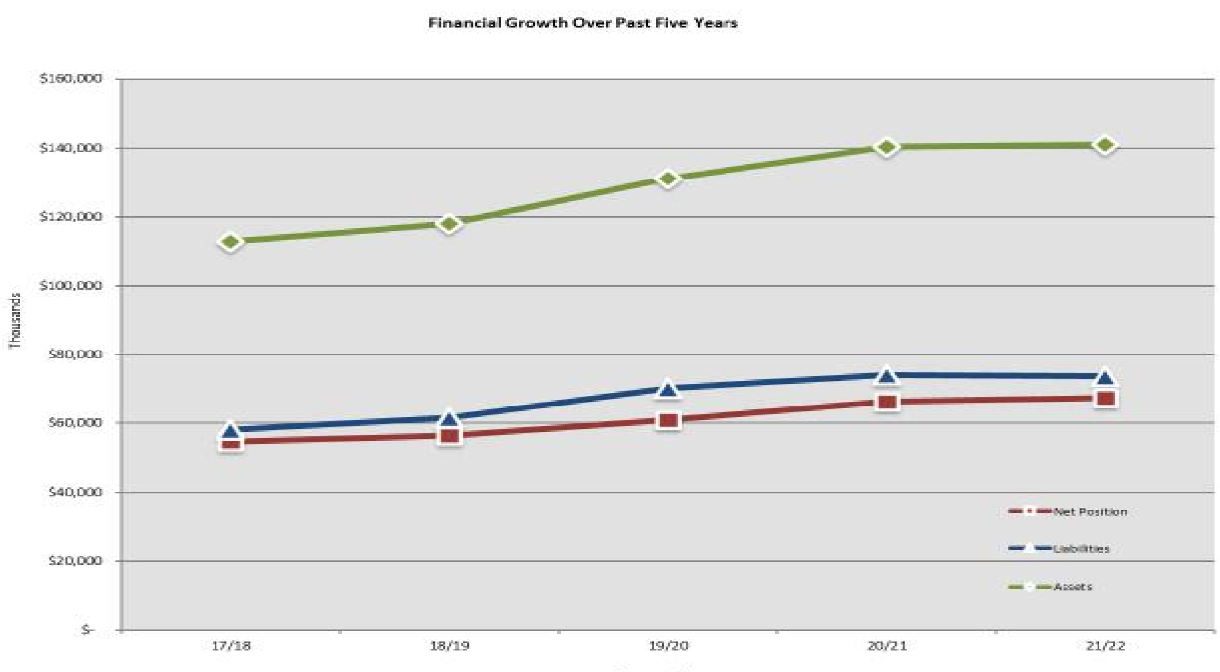
STATEMENT OF NET POSITION	June 30, 2022	June 30, 2021	Increase/ Decrease 2022 to 2021	June 30, 2020	Increase/ Decrease 2021 to 2020
Assets					
Current and Other Assets	$ 135,617,632	$ 135,016,400	0.4%	$ 125,214,568	7.8%
Capital Assets	4,387,966	4,844,514	-9.4%	5,462,303	-11.3%
Total Assets	140,005,598	139,860,914	0.1%	130,676,871	7.0%
Deferred Outflows of Resources					
Deferred outflows on pensions	750,427	606,052	23.8%	595,599	1.8%
Liabilities					
Accounts Payable & Other Liabilities	72,967,545	73,886,665	-1.2%	70,083,643	5.4%
Total Liabilities	72,967,545	73,886,665	-1.2%	70,083,643	5.4%
Deferred Inflows of Resources					
Deferred inflow on pensions	445,351	237,014	87.9%	246,193	-3.7%
Net Position					
Invested in capital assets, net of related de	4,387,966	4,844,514	-9.4%	5,462,303	-11.3%
Unrestricted	62,955,163	61,498,773	2.4%	55,480,331	10.8%
Total Net Position	$ 67,343,129	$ 66,343,287	1.5%	$ 60,942,634	8.9%

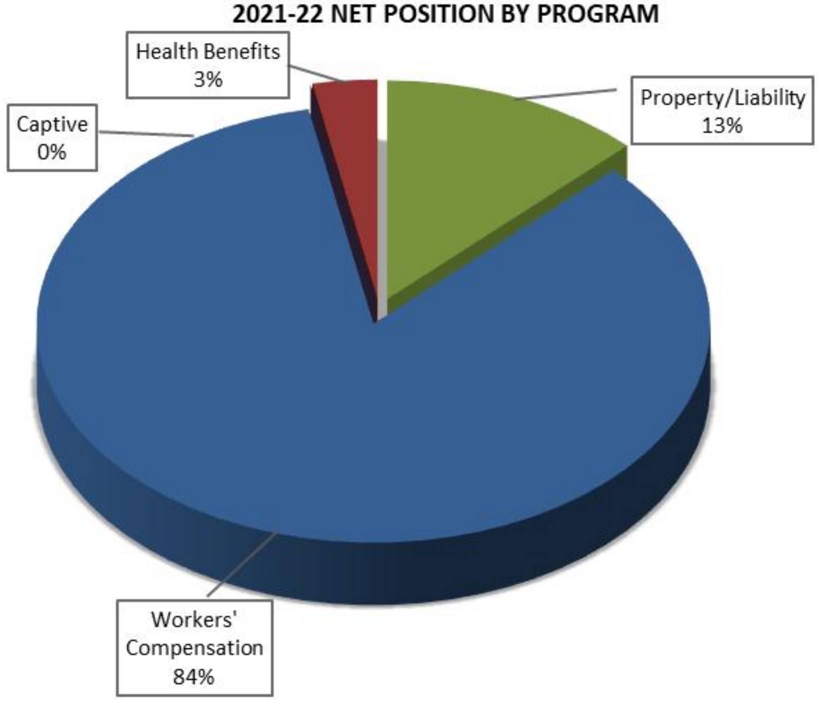
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2022	June 30, 2021	Increase / Decrease 2022 to 2021	June 30, 2020	Increase / Decrease 2021 to 2020
Operating Revenues					
Member Contributions & Other Income	$ 51,936,158	$ 45,575,916	14.0%	$ 41,046,120	11.0%
Health Benefits Premiums & Refunds	36,982,988	37,509,933	-1.4%	35,144,043	6.7%
Dividend Income	45,355	142,260	-68.1%	94,766	100.0%
Total Operating Revenues	88,964,501	83,228,109	6.9%	76,284,929	9.1%
Operating Expenses					
Claims, Insurance, Admin Expense	44,095,415	41,716,570	5.7%	43,147,516	-3.3%
Health Insurance Expenses	36,863,123	36,589,764	0.7%	34,452,195	6.2%
Total Operating Expenses	80,958,538	78,306,334	3.4%	77,599,711	0.9%
Operating Income (Loss)	8,005,963	4,921,775	62.7%	(1,314,782)	474.3%
Other Nonoperating Income and Expenses					
Net Rental Income (Loss)	80,681	99,390	-18.8%	148,390	-33.0%
Investment Income & Capital Assets - Gain/(Loss)	(7,086,802)	379,488	-1967.5%	5,744,463	-93.4%
Total Nonoperating Income (Expense)	(7,006,121)	478,878	-1563.0%	5,892,853	-91.9%
Change in Net Position	999,842	5,400,653	-81.5%	4,578,071	18.0%
Beginning Net Position - As Originally Reported	66,343,287	60,942,634	8.9%	56,364,563	8.1%
Ending Net Position	$ 67,343,129	$ 66,343,287	1.5%	$ 60,942,634	8.9%

Net Position

Net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows. SDRMA started the fiscal year with a net position of $66.3 million and ended with a net position of $67.3 million. SDRMA's financial position over the last ten years is illustrated in the graph below:





Each program's Net Position is allocated between various funds necessary to ensure confidence in our ability to meet financial obligations, funding for catastrophic losses, rate stabilization and other programs and commitments.

The Risk Margin Fund is used to reserve funds to maintain a 90% confidence level (undiscounted) in both the Property/Liability and Workers' Compensation programs, based on the most recent actuarial report dated September 12, 2022. SDRMA requires that both programs have at least annual reviews by an independent actuary to confirm the confidence levels of these programs.

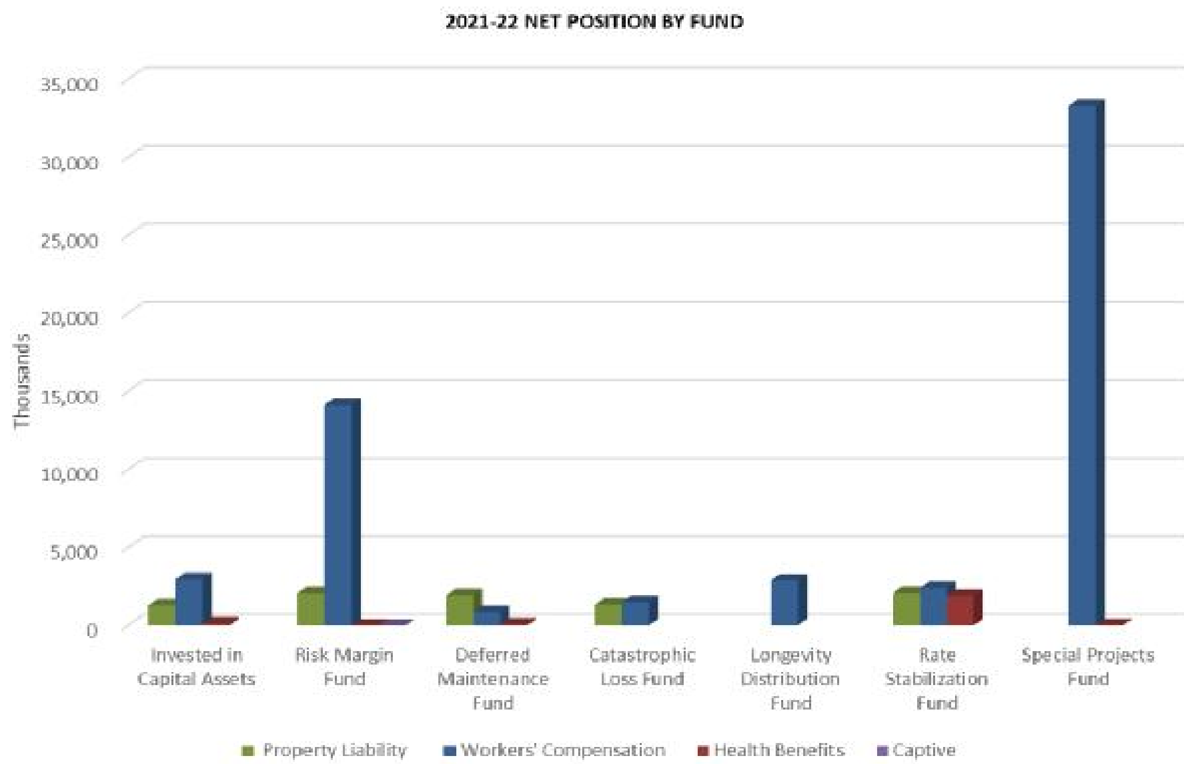
The Deferred Maintenance Fund reserves funds necessary to replace capital assets. This fund was increased in 2021-22 by $381,000 based on the needs of the programs.

The Catastrophic Loss Fund was increased in 2022-22 by $919,000 in the Property/Liability program as the fund is continuing to build net position.

The Longevity Distribution Fund is used to reward member longevity based on certain criteria and when funding levels allow for such a distribution.

The Rate Stabilization Fund is used during volatile market conditions to help ensure stable rates for members and to moderate the effects market trends and fluctuations have on program members. The fund allows for 15% of the programs net annual revenue, which can be used if approved by the Board of Directors. Currently, the Workers' Compensation Rate Stabilization Fund is fully funded while Property/Liability's fund, which was fully depleted, is starting to be funded again in 2021-22.

The Special Projects Fund are funds in excess of allocations in the other funds that may be used for specific identified projects or programs based on recommendations of the CEO and approved by the Board of Directors.



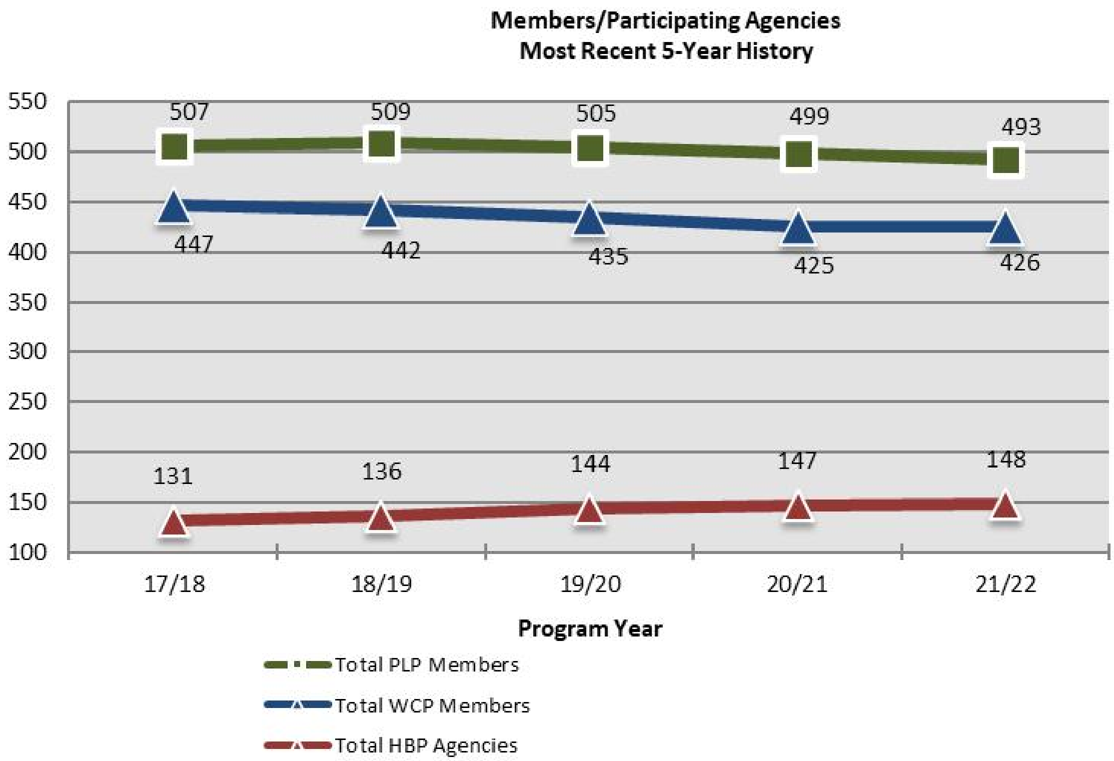
SDRMA has adopted a conservative investment policy according to state guidelines designed to ensure the safety of the funds, optimize the rate of return on available assets not required for current operations and make these assets readily available to pay claims or meet other needs. At June 30, 2022, approximately 3.5% of these funds were invested in the Local Agency Investment Fund (LAIF) in Sacramento, administered by the State Treasurer's Office, and California Asset Management Program (CAMP), administered by Public Financial Management, LLC (PFM). SDRMA has contracted with PFM as the investment advisor for both the Property/Liability Program and the Workers' Compensation Program.

Revenues, Expenses, and Changes in Net Position

In 2021-22, SDRMA welcomed three new members to the Property/Liability Program, bringing $150,000 in contribution and five new members to the Workers' Compensation Program, bringing $200,000 in contribution. The Health Benefits Program welcomed three new participating agencies to the Medical Benefits program and three to the Ancillary Benefits program, bringing in $300,000 in contribution.

Membership

SDRMA has 604 members comprised of public agencies throughout California. As of June 30, 2022, there were 493 members in the Property/Liability program, 426 members in the Workers' Compensation program and 148 agencies participating in the Health Benefits program.



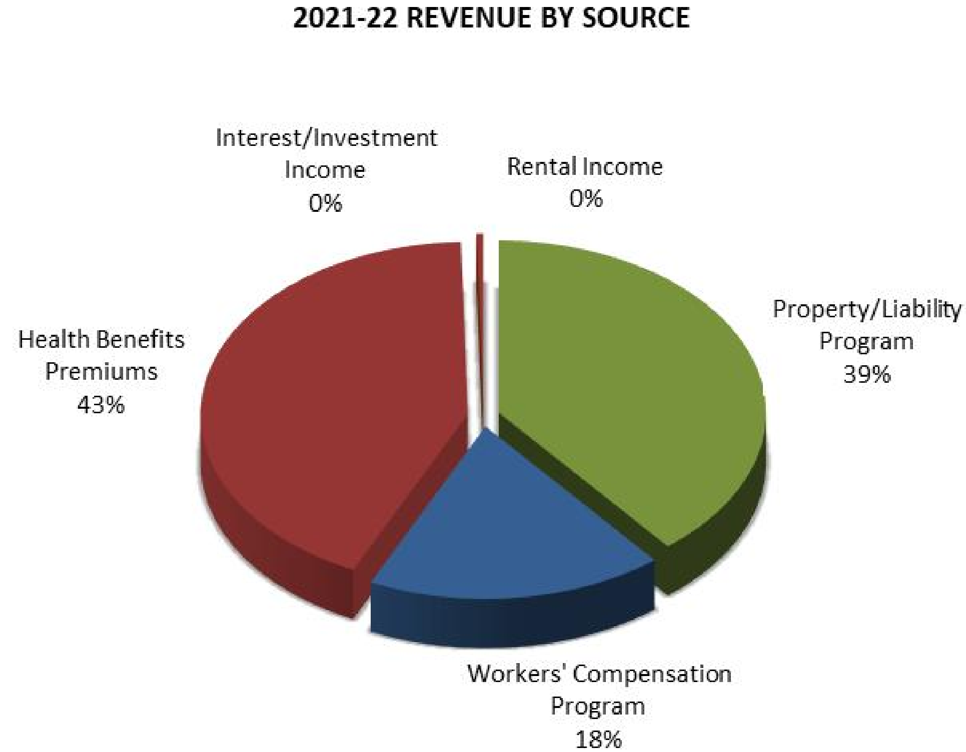
Revenues

Total revenues were $89 million, an increase of 7%, in 2021-22. This is made up primarily of higher contributions in the Property/Liability program due to the rising cost of excess insurance.

The Property/Liability program member contributions increased $6.4 million, or 23%, as compared to 2020-21. The 2021-22 renewal was a difficult renewal, primarily for the increased liability limits of $5 million and $10 million, mostly due to an increasing number of carriers pulling out of the California market. SDRMA works with several reinsurance brokers who negotiate with excess carriers on our behalf. Our brokers relayed the increased number of carriers leaving California early in the 2021-22 renewal cycle, which ultimately led to rate increases across the board in the Property/Liability Program. Higher rate increases were allocated to limits over the standard $2.5 million layer, in line with premium increases for these layers. The rate increases were also necessary to continue building equity in net position, which will strengthen the Property/Liability Program's overall financial position.

For 2021-22, the Workers' Compensation program saw a 6%, or $1 million, reduction in member contributions, which was primarily due to the board declaring a Longevity Distribution of $2.8 million in February 2022. Members reported their estimated payroll to SDRMA in February 2021, with renewal invoices being sent in May 2021. Due to the timing of these events, staff expected an overall refund of contribution to be sent during the annual payroll reconciliation; however, in August 2022, SDRMA issued a net of $540,000 in additional contribution billing to the members.

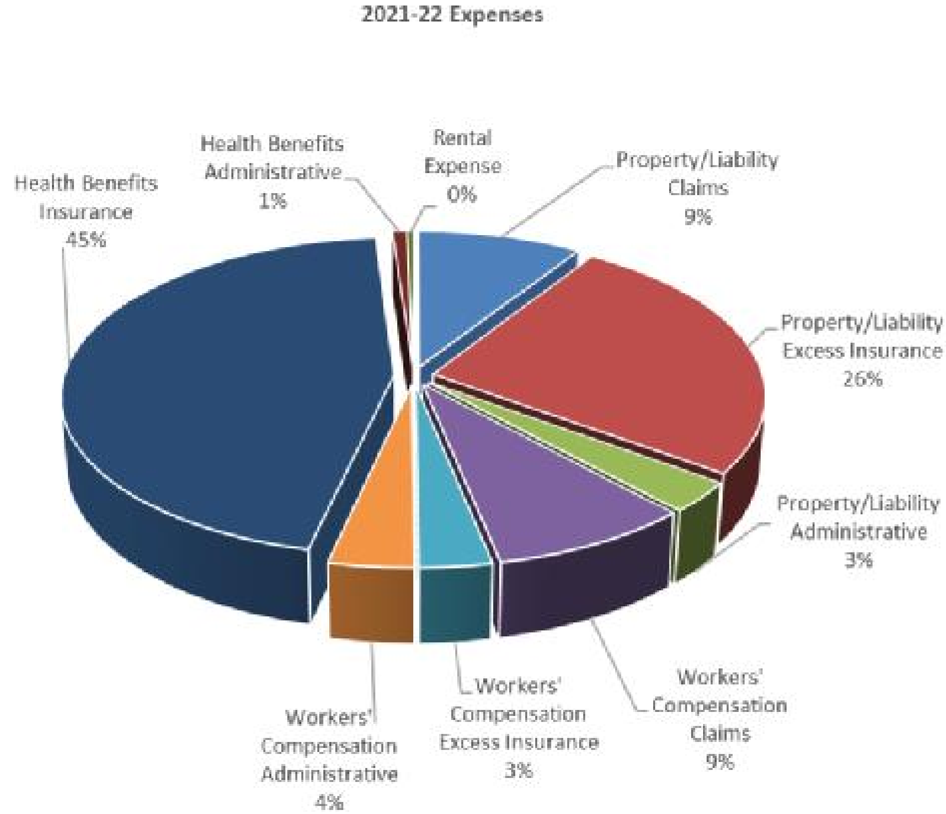
The Health Benefits program saw a 1% increase in premiums. Since premiums are based on a calendar year, this was made up of a 3.3% increase to medical participant rates and a 0.7% increase to dental participant rates that were effective January 1, 2022.



Expenses
Total operating expenses were $81 million for 2021-22.

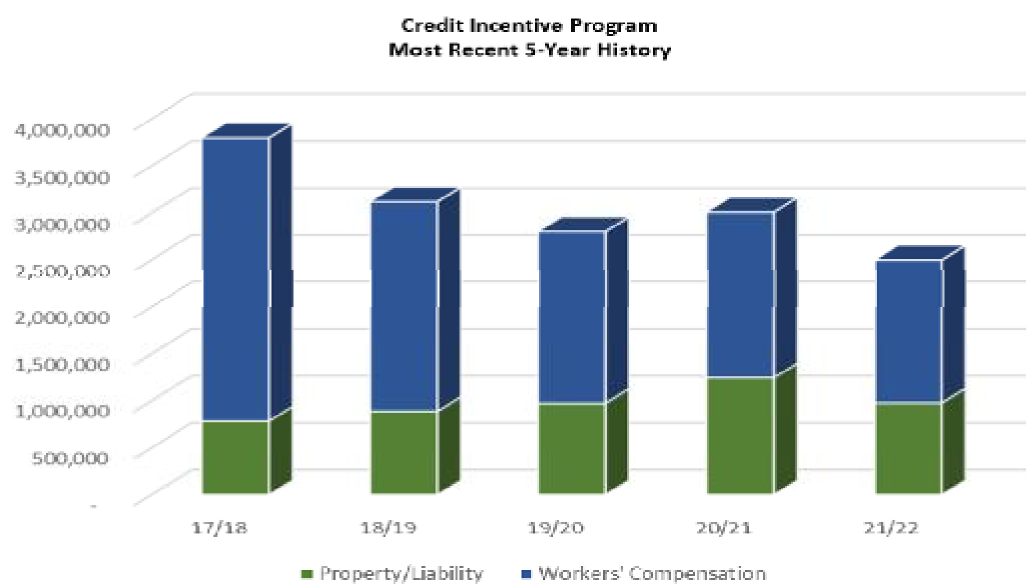
Significant expense items for 2021-22 include:

- Property/Liability Excess Insurance continues to increase as the market continues to harden. In 2021-22, excess property rates increased 25% and excess liability rates increased by 57%. SDRMA had to pass these increases onto the members of the Property/Liability program, explaining the 22% increase in Property/Liability revenues.
- Property/Liability and Workers' Compensation Claims account for a combined 18% of total expenses. Property/Liability claims cost for FY 2021-22 decreased by 17% from FY 2020-21 primarily due to the actuary writing down the expected claims cost after two large members withdrew from the program. At year end, Property/Liability had claim liabilities of $17.2 million, Workers' Compensation had claim liabilities of $32.6 million and SDRG had claim liabilities of $9.2 million. Both primary programs are funded above the 95% confidence level according to the latest actuarial report dated September 12, 2022.
- Health Benefits Insurance is based on the rates set by PRISM for the Health Benefits Program. Rates are based on the charges by the various carriers, a review of SDRMA participant's medical and pharmacy claims experience, the program's overall experience and projected increases in medical and pharmacy costs. SDRMA adds a small administrative fee to the rates billed to the various groups. This entire expense is a pass through to the agencies participating in the program.

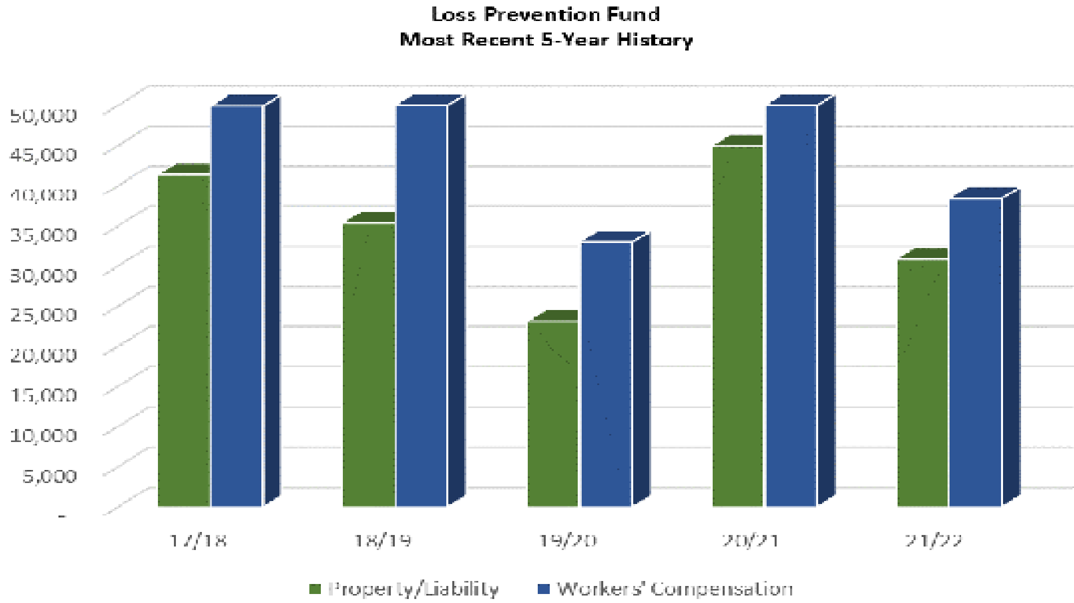


Expanded Services and Programs

Credit Incentive Program - SDRMA created the Credit Incentive Program (CIP) to encourage members to actively participate in safety and loss prevention practices by awarding points to reduce their individual annual contribution amounts. For Property/Liability, one CIP point equates to a 1% discount on the Auto and General Liability contribution amounts. For Workers' Comp, one CIP point equates to a 1% discount on the gross contribution amount. The following chart shows the CIP awarded for the last five years:



Loss Prevention Fund - The Loss Prevention Fund is made available to members in either the Property/Liability or Workers' Compensation Programs to help offset the members' loss prevention costs. Members may submit a request for reimbursement, up to $1,000 per program year, for any costs related to safety or loss prevention. Eligible expenses include safety equipment, safety videos, ergonomic equipment, training courses/material specifically related to loss prevention, and SDRMA or CSDA seminars, conferences, regional trainings. or workshops specifically related to loss prevention. The following chart shows the total dollars reimbursed during the last five years:



Additional Services - SDRMA provides ongoing safety and loss prevention services to its members and continues to explore new areas that might provide benefit from the pooling of resources and/or group purchase arrangements. Such services include property appraisals, claim services, safety services, online safety/risk management training, ergonomic reviews, playground inspections, and ADA compliance services.

Capital Assets

During 2020-21, SDRMA invested $80,000 in building improvements for the office located at 1112 I Street in Sacramento, California. These improvements included much needed upgrades to the HVAC system and the installation of awnings to help reduce the HVAC costs in the building. SDRMA continues to invest in the MemberPlus Portal, which is where members can log in to view coverage documents, policy invoices, make changes to coverage, etc. The Health Benefits Program also rolled out a web portal for the participating agencies to access and submit enrollment forms securely, access administrative guidelines, view contact information, plan offerings, waiting periods, and view account statements.

Description of Facts or Conditions that are Expected to have a Significant Effect on the Financial Position or Results of Operations

California Economic Condition and Outlook

The state's economy during 2022 is recovering from the COVID-19 pandemic recession that started in 2020. However, the impending recession is threatening to slow down California in 2023. With continued product shortages, higher costs for energy and food, labor and capital resources are being pushed to capacity. New real estate developments were interrupted in 2020 but was fully restored by mid-2021 and surged in 2022 due to the increased demand for rental housing and industrial facilities. Residential development is occurring near the same pace as 2006 and the value of commercial and industrial structures started in 2022 are the highest on record. The surge in private and public sector development will continue into 2023 with a chance that it might help California elude recession entirely.

Insurance Market Condition and Outlook

SDRMA's mission is to provide risk financing and risk management services through a financially sound pool to California public agencies, delivered in a timely and responsive cost-efficient manner. The ability to meet that mission is, in part, dependent on conditions in the commercial insurance market. The commercial insurance market has business cycle(s) that result in fluctuating rates, availability of coverage and policy limits. These fluctuations are referred to as "soft" or "hard" markets. In a soft-market cycle, pricing is lower, competition is greater, and generally, the market has excess capacity that increases the availability of coverages and higher policy limits. A soft-market cycle is a favorable condition for pools and insurance consumers. The trend in a hard-market cycle is higher/increasing rates with fewer options in availability of coverages and limits. A hard-market cycle is an unfavorable condition for pools and insurance consumers. Historically, insurance market cycles occur every three to seven years. We are currently in a hard market cycle for liability and property programs and a stable market cycle for workers' compensation coverage.

During the past four years, the property market has continued to harden with additional wildfire and hurricane/weather related losses, further capacity restrictions causing pricing increases, deductible/retention increases, and many additional coverage restrictions in certain geographical areas based on specific loss development. Prior to Hurricane Ian in September 2022, the property insurance markets were beginning to warn customers of impending renewal increases of 10% to 15% due to worldwide losses associated with increased convective storms, wildfires, and flooding. Due to a combination of increased catastrophic losses and lack of new capital funding, market capacity may decrease for the remainder of 2022. As a result, we expect FY 2023-24 property excess insurance premiums will continue to reflect a hard market.

Rates in the cyber market have also increased significantly as cyber attacks and hacking against public entities have become increasingly frequent and difficult to predict. The cost of providing cyber coverage to SDRMA members doubled from FY 2021-22 to FY 2022-23, and it is possible that SDRMA will see similar increases for FY 2023-24. In addition, public agencies who join the SDRMA property/liability program after July 1, 2022 must obtain cyber coverage on a standalone basis.

In the liability market, as with property, excess carriers continue to be hit with very large verdicts and settlements. We believe there will be some natural calming but may not be as positive as possible because of the proliferation of large losses. This general market stabilization may lead to a more competitive environment among public entity pools to attract new members with excellent claims experience. If SDRMA has a low loss to loss free year and our prior year claims do not develop adversely, we should expect rate increases in the 20 percent range. However, should SDRMA have claims develop dramatically, rates could be increasing above the 25 percent range.

For excess workers' compensation coverage, this market continues to remain relatively stable. However, the investment markets will influence premium increases: Little to no gains in investment income will have an adverse impact on premiums. As a result, we expect percentage rate increases to be roughly 20% conservatively.

Conclusion

SDRMA continues to explore various options to maintain our goal of rate stability and our mission to provide our members with stable, renewable, and efficiently priced coverages.

This financial report is designed to provide a general overview of SDRMA's financial position. Questions concerning any of the information should be addressed to the Chief Executive Officer, 1112 I Street, Suite 300, Sacramento, California, 95814.

Laura S. Gill

Laura S. Gill, ARM, ARM-P, CSDM
Chief Executive Officer

Jennifer Chilton

Jennifer Chilton, CPA, ARM
Chief Financial Officer

BASIC FINANCIAL STATEMENTS

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 16,151,151	$ 17,499,585
Current investments	4,544,306	1,909,978
Receivables	3,766,745	13,425,569
Prepaid expenses	3,142,419	3,181,089
Total Current Assets	27,604,621	36,016,221
Noncurrent Assets		
Investments	107,838,783	99,000,179
Net pension asset	133,793	-
Net OPEB asset	40,435	-
Capital assets:		
Land	762,850	762,850
Depreciable capital assets, net	3,625,116	4,081,664
Total Noncurrent Assets	112,400,977	103,844,693
Total Assets	140,005,598	139,860,914
Deferred Outflows of Resources		
Deferred outflow on pension	609,258	487,625
Deferred outflow on OPEB	141,169	118,427
Total Deferred Outflows of Resources	750,427	606,052
Liabilities		
Current Liabilities		
Accounts payable	1,493,613	1,605,588
Accrued payroll	210,881	211,883
Member payable	2,896,501	2,179,568
Unearned contributions	9,466,482	10,863,207
Current portion of claim-related liabilities	10,000,000	10,000,000
Total Current Liabilities	24,067,477	24,860,246
Noncurrent Liabilities		
Noncurrent portion of claim-related liabilities	48,900,068	47,965,960
Net pension liability	-	907,379
Net OPEB liability	-	153,080
Total Noncurrent Liabilities	48,900,068	49,026,419
Total Liabilities	72,967,545	73,886,665
Deferred Inflows of Resources		
Deferred inflow on pensions	176,735	133,866
Deferred inflow on OPEB	268,616	103,148
Total Deferred Inflows of Resources	445,351	237,014
Net Position		
Net investment in capital assets	4,387,966	4,844,514
Unrestricted	62,955,163	61,498,773
Total Net Position	$ 67,343,129	$ 66,343,287

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

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating Revenues		
Members' contribution	$ 50,927,807	$ 45,575,905
Health benefits premium	37,972,988	37,509,933
Dividends income	45,355	142,260
Other income	18,351	11
Total Operating Revenues	88,964,501	83,228,109
Operating Expenses		
Claims expense	14,394,857	17,016,698
Insurance expense	23,581,144	17,460,384
Health insurance expense	36,863,123	36,589,764
Contract services and CSDA fees	2,308,860	2,411,481
Salaries and benefits	1,734,833	2,843,327
General and administrative	1,510,440	1,237,786
Depreciation expense	519,926	604,634
Dividends expense	45,355	142,260
Total Operating Expenses	80,958,538	78,306,334
Operating Income (Loss)	8,005,963	4,921,775
Nonoperating Revenues and Expenses		
Rental revenue	374,370	393,908
Rental expense	(293,689)	(294,518)
Net Rental Income (Loss)	80,681	99,390
Investment income	(7,087,002)	379,488
Gain (Loss) on sale of capital assets	200	-
Total Nonoperating Revenues and Expenses	(7,006,121)	478,878
Change in Net Position	999,842	5,400,653
Beginning Net Position	66,343,287	60,942,634
Ending Net Position	$ 67,343,129	$ 66,343,287

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

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Member contributions and dues received	$ 98,626,855	$ 84,791,592
Cash paid for claims	(3,034,781)	(26,219,742)
Cash paid for insurance premiums	(71,814,597)	(54,179,311)
Cash paid for employee services	(2,906,560)	(2,644,039)
Cash paid for administrative expenses	(3,881,142)	(3,283,685)
Net Cash Provided (Used) By Operating Activities	16,989,775	(1,535,185)
Cash Flows From Capital and Related Financing Activities		
Cash paid for capital expenditures	(300,300)	(222,936)
Proceeds from sale of capital assets	200	-
Net Cash Provided (Used) By Capital & Related Financing Activities	(300,100)	(222,936)
Cash Flows From Investing Activities		
Investment income received	1,652,152	1,495,415
Cash paid for purchase of investments	(37,651,234)	(35,339,632)
Proceeds from sale of investments	21,476,370	34,722,982
Cash received from leases	374,370	393,908
Cash paid for rent expenses	(56,767)	(58,427)
Net Cash Provided (Used) By Investing Activities	(14,205,109)	1,214,246
Net Increase (Decrease) In Cash	2,484,566	(543,875)
Cash, Beginning of year	13,666,585	18,043,460
Cash, End of year	$ 16,151,151	$ 17,499,585
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	$ 8,005,963	$ 4,921,775
Adjustments to reconcile operating income (loss) to cash		
Depreciation included in operating income (loss)	519,926	604,634
Decrease (increase) in:		
Receivables	9,404,469	(10,604,775)
Prepaid expenses	38,670	(129,163)
Deferred ouflow on pensions	(121,633)	1,968
Deferred ouflow on OPEB	(22,742)	(12,421)
Increase (decrease) in:		
Accounts payable	(61,842)	365,579
Member payable	716,933	1,615,607
Accrued payroll	(1,002)	22,232
Unearned contributions	(1,396,725)	200,550
Claim related liabilities	934,108	1,291,317
Pension liability, net	(1,041,172)	184,791
OPEB liability, net	(193,515)	11,897
Deferred inflow on pensions	42,869	4,855
Deferred inflow on OPEB	165,468	(14,031)
Net Cash Provided (Used) By Operating Activities	$ 16,989,775	$ (1,535,185)
Supplemental Disclosures		
Schedule of Noncash Investing and Financing Transactions		
Unrealized gain (loss) on investments	$ (8,739,154)	$ 2,910,506

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

1. GENERAL INFORMATION

A. ORGANIZATION

Pursuant to California Government Code Section 6500 et seq. and 990 et seq. the Special District Risk Management Authority (SDRMA) was formed effective August 1, 1986. SDRMA provides its members with coverage protection related services such as workers' compensation, property and liability, errors and omissions, and auto comprehensive and collision and health benefits. SDRMA was established to provide risk financing coverage as well as to pay the costs of administration, risk management services, and other such costs that are approved by the Board of Directors.

B. MEMBERSHIP

The Authority is comprised of special districts, cities, and joint powers authorities located throughout California.

C. ADMISSION AND WITHDRAWAL OF MEMBERSHIP

<u>Admission</u>
Any public agency organized under the laws of the State of California, which is a member of the California Special Districts Association (CSDA), is eligible for membership in SDRMA upon approval of its membership by the SDRMA Board of Directors. Members shall be required to pay their applicable pro rata contributions and the Board of Directors may determine assessments.

<u>Withdrawal</u>
Any participating member may voluntarily withdraw from any particular Joint Protection Program at the end of any coverage year of participation if:

a. They give not less than ninety days advance written notice of withdrawal to the Board of Directors of the Authority prior to the end of the coverage year; and
b. The entity shall have participated in the Property/Liability or Workers' Compensation Program for not less than three full program years.

The effect of withdrawal (or termination), for the pooling programs, does not terminate the responsibility of the Member to continue paying its share of assessments. Such Member, by withdrawing or being involuntarily terminated, shall not be entitled to payment, return or refund of any contribution, assessment, consideration, or other property paid, or donated by the Member to the Authority, or to any return of any loss reserve contribution, or to any distribution of assets (except payment of any Net Position). Upon such withdrawal from or cancellation of participation in any Program by any Member, said Member shall be entitled to receive its pro rata share of any Net Position distribution declared by the Board of Directors after the date the said Member withdraws or is involuntarily terminated.

1. GENERAL INFORMATION (CONTINUED)

D. REPORTING ENTITY

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been rendered, except when a premium deficiency exists where unearned premiums are recognized currently in accordance with GASB pronouncements.

B. DESCRIPTION OF PROGRAMS

Property/Liability Program

The Property/Liability Program was established in order to provide the members with a risk sharing pool for general liability, auto liability and property damage risk financing, as well as public official's errors and omissions coverages and crime and fidelity. As of June 30, 2022 and 2021, there were 493 and 499 members, respectively, participating in the Property/Liability Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property/Liability Program (continued)

The following table reflects the risk financing limits provided by the Program at June 30, 2022:

Type of Coverage	Per Occurrence: Deductible	Per Occurrence: Self-Insurance Retention	Per Occurrence: Total Risk Financing Limits
PROPERTY/LIABILITY PROGRAM:			
Building and Contents	$ 1,000 (9)	$ 499,000	(1)
Equipment Floater	$ 1,000	$ 499,000	(8)
Boiler/Machinery	(2)	$ 10,000	(1)
General Liability	(3)	$ 250,000	$2,500,000 (6,7)
Auto Liability	(4)	$ 250,000	$2,500,000 (6,7)
Public Officials' and Employees':			
Errors & Omissions	-	$ 100,000	$2,500,000 (5,7)
Employment Practices	-	$ 100,000	$2,500,000 (5,7)
Blanket Bond	-	$ 75,000	$1,000,000
Personal Liability for Board Members	$ 500	$ 500,000	(10)
Comprehensive and Collision	$ 250-1,000	(8)	

(1) Replacement cost, if replaced; but if not replaced within three years then ACV.
(2) $1,000 deductible for most items; up to $250,000 for very large generators and transformers.
(3) Subject to a $500 per occurrence deductible for third party property damage; no deductible for third party bodily injury.
(4) Subject to a $1,000 per occurrence deductible for third party property damage; no deductible for third party bodily injury.
(5) Public Officials' and Employees' Errors & Omissions and Employment Practices Liability are subject to a per occurrence SIR of $100,000 and the total risk financing limit is $2.5 million.
(6) The self-insured retention is $250,000 and the total risk financing limit is $2.5 million.
(7) Members may purchase two additional layers of coverage, $2.5 million to a total of $5 million and an additional $5 million to a total of $10 million. Higher limits are available upon request.
(8) The lesser of a.) The actual cash value; b.) The actual cost to repair.
(9) Deductible subject to change due to policy coverage such as flood.
(10) Self-insured retention is $500,000 per board member with no limit on the number of board members covered, but a collective aggregate amount of $8,500,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property/Liability Program (continued)

All of the risk financing limits are subject to change by the Board of Directors and are subject to specific limitations as specified in the memorandum of coverage provided to each Member. It is the policy of the Authority to charge to expense the payments to be made for claims in cases where the amounts are reasonably determinable and where the likelihood of liability exists. In addition, the Authority has established a contingency reserve for losses by designation of the risk margin.

Workers' Compensation Program

The Workers' Compensation Program was established in 1982 for the purpose of operating and maintaining a self-insurance or group insurance program. Effective July 1, 2003, this program merged into SDRMA. The Workers' Compensation fund is established and maintained for Member contributions, to be used for the payment of, but not limited to, the following:

- Self-insured claim payments
- Insurance premiums
- Claims administration expenses
- Investigative, legal, and audit costs

As of June 30, 2022 and 2021, there were 426 and 425 members, respectively, participating in the Workers' Compensation program. The following table reflects the risk financing limits provided by the Program at June 30, 2022:

	Per Occurrence		
Type of Coverage	Deductible	Self-Insurance Retention	Total Risk Financing Limits
Workers' Compensation	$ 0	$ 750,000	Statutory

Health Benefits Program

In August 2006, SDRMA partnered with Public Risk Innovation, Solutions, and Management (PRISM) (formerly CSAC-EIA Health) to offer a small group Medical Benefits Program to public agencies with 250 employees or less. In May 2007, SDRMA, through PRISM, began offering a small group Ancillary Coverages Program including dental, vision, life, long term disability (LTD) and an employee assistance program (EAP) to public agencies with 50 employees or less. SDRMA functions as the small group program administrator by marketing the program, signing up new groups, answering day to day questions, performing monthly billing, collecting monthly premiums and remitting payments to PRISM. As of June 30, 2022 and 2021, there were 113 and 111 groups, respectively, participating in the Medical Benefits program and there were 104 and 103 groups, respectively, participating in the Ancillary Coverages Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FUND ACCOUNTING

The accounts of SDRMA are organized on the basis of funds, each of which is considered to be a separate accounting entity. The JPA's funds have been combined for the presentation of the financial statements. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The JPA maintains three funds that are considered Proprietary-Enterprise Funds.

SDRMA has three enterprise funds: Property/Liability, Workers' Compensation and Health Benefits. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing services to the members on a continuing basis be financed or recovered primarily through fees and premiums or where the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. STATEMENTS OF CASH FLOWS

The Authority considers interest on investments to be nonoperating revenue; therefore, investment income is presented in the investing section of the Statements of Cash Flows.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include all checking and savings accounts, cash in bank, cash with the Local Agency Investment Fund, and all highly liquid debt instruments purchased with original maturity of three months or less.

F. RECEIVABLES

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2022 and 2021, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

G. FIXED ASSETS AND DEPRECIATION

SDRMA capitalizes all assets costing one thousand dollars ($1,000) or more and records the asset value at cost. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The estimated useful life used for buildings and improvements is thirty years. The estimated useful lives used for furniture and equipment range from three to five years. Software purchases are depreciated over three years. Land is carried at cost and is not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. FINANCING LEASES

A lease is defined as a contract that coveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for financial leases are recorded in the financial statements to the extent that SDRMA's lease capitalization threshold is met, $1,000,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2022, SDRMA did not have any financial leases that met the threshold.

I. LEASE REVENUE

A lease is defined as a contract that coveys control of the right to use SDRMA's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term asset and corresponding liability for financial leases are recorded in the financial statements to the extent that the SDRMA's lease capitalization threshold is met, $1,000,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2022, SDRMA did not have any financial leases that met the threshold.

J. INVESTMENTS

The Authority records its investments and cash in Local Agency Investment Fund (LAIF) at fair market value 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: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments that are measured using Level 3 inputs. Changes in fair market value are reported as revenue in the Statements of Revenues, Expenses, and Changes in Net Position. The effect of recording investments and LAIF at fair market value is reflected as a net increase in the fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position and on the Statement of Net Position.

K. CLAIM RELATED LIABILITIES (CLAIMS PAYABLE, CLAIMS INCURRED BUT NOT REPORTED, AND LIABILITY FOR UNALLOCATED LOSS ADJUSTMENT EXPENSES)

The Authority 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 (IBNR). The length of time for which such costs must be estimated varies by the coverage involved. Estimated amounts of salvage and subrogation and excess insurance 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability.

Claims liabilities are re-computed 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 reflects 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 period in which they are made.

L. UNALLOCATED LOSS ADJUSTMENT EXPENSE (ULAE)

The liability for ULAE includes all costs expected to be incurred in connection with the settlement of unpaid claims that cannot be related to a specific claim. For the Property/Liability Program management has estimated the accrual based upon past experience and consultation with its actuary. For the Workers' Compensation Program, management has relied on the estimate provided by the actuary.

M. PENSION LIABILITY

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

N. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Special District Risk Management Authority's Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Special District Risk Management Authority's Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. DEFERRED INFLOW/OUTFLOW OF RESOURCES

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

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

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

P. COMPENSATED ABSENCES

Vested or accumulated paid leave is recorded as an expense and liability of the Authority as the benefits accrue to employees. In accordance with accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Q. CONTRIBUTION INCOME

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Revenues mainly consist of premium contributions from members. Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the members. Contribution income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. The activities of the Authority consist solely of risk management programs and claims management activities related to the coverages described above.

The reporting entity does not include any other component units with the criterion prescribed by GAAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Member contributions are recognized as revenues in the period for which coverage protection is provided. If the Board of Directors determines that the funds for a program are insufficient to pay losses, the Authority may impose a supplemental assessment on all participating members. Anticipated investment income is not considered in determining supplemental assessments. Supplemental assessments are recognized as income in the period assessed.

R. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are susceptible to significant change in the near term are described elsewhere in this report.

S. INCOME TAXES

SDRMA income is exempt from federal income taxes under Internal Revenue Code Section 115, which excludes income derived from the exercise of any essential governmental function and accruing to a state political subdivision.

4. CASH AND INVESTMENTS

A. CASH AND CASH EQUIVALENTS

Cash consisted of the following at June 30:

	2022	2021
Cash in Bank	$ 16,124,594	$ 17,473,101
Cash on Hand	300	300
Local Agency Investment Fund	26,257	26,184
Total Cash and Cash Equivalents	$ 16,151,151	$ 17,499,585

Cash in Bank

The carrying amount of the Authority's cash in bank is covered by federal depository insurance up to $250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

4. CASH AND INVESTMENTS (CONTINUED)

Local Agency Investment Fund

The Authority is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the Authority's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. This fund currently yields approximately .861% interest annually and has an average life of 311 days. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer and are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

4. CASH AND INVESTMENTS (CONTINUED)

B. INVESTMENTS

Under provision of SDRMA's investment policy and state statutes, SDRMA may invest in the following types of investments:

	Maximum % of Portfolio
US Government & Agency Obligations	100%
Local Agency Investment Fund	$65 million
Federal National Mortgage Association	100%
Government National Mortgage Association	25%
Federal Agency Mortgage-Backed Securities	25%
Federal Home Loan Mortgage Corporation	100%
Federal Home Loan Banks	100%
Federal Farm Credit Banks	100%
Farm Credit Financial Assistance Corporation	100%
Federal Agricultural Mortgage Corporation	100%
Bankers' Acceptances	40%
Medium Term Corporate Notes	30%
Negotiable Certificates of Deposits	30%
Money Market Funds	20%
Bank Deposits	20%
Commercial Paper	25%
Municipal Obligations	100%
Local Government Investment Pools	10%
Mortgage- and Asset-Backed Securities	20%
Supranationals (Instrumentalities)	30%

Interest Rate Risk

Interest Rate Risk is the risk that the value of investments will decrease as a result of a rise in interest rates. SDRMA's investment policy limits its investment portfolio maturities to no more than five years from purchase date to maturity date unless the legislative body has granted express authority to exceed that limit. As of June 30, 2022, SDRMA had the following investments held in a managed portfolio:

		Investment Maturities		
Investment Type	Fair Value	< 1yr	1-3 yrs	>3 yrs
US Treasuries	$ 41,596,164	$ 2,258,849	$ 32,527,907	$ 6,809,408
Federal Agencies	10,491,136	-	10,491,136	-
Agency Mortgage Backed	2,310,592	277,873	2,032,719	-
Supranationals	3,689,955	1,565,962	2,123,993	-
Muncipal Obligations	6,742,627	-	6,458,596	284,031
Corporate Notes	24,281,440	441,622	20,472,369	3,367,449
Asset Backed Securities	7,891,298	-	4,998,956	2,892,342
Mutual Funds	15,379,877	-	-	-
	$ 112,383,089	$ 4,544,306	$ 79,105,676	$ 13,353,230

4. CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Investment concentration of the three largest security holdings are as follows:

	Fair Value	% of Portfolio
U.S. Government	$ 41,596,162	37%
Federal Home National Mortgage Corporation	$ 7,025,114	6%
Federal Home Loan Bank	$ 5,776,615	5%

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. It is SDRMA's general investment policy to apply the prudent person standard; that is, investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

As of June 30, 2022, investments in Federal Agencies and Agency Mortgage Backed securities had a Moody rating of Aaa, Asset Backed Securities had a Moody rating of Aaa or better, Municipal Obligations had a Moody rating of A1 or better, and investments in corporate notes at the time of purchase had a Moody rating of Aa3 or better. Investments in US Treasuries carry the explicit guarantee of the US Government. Certificate of Deposits are not rated but they are covered by FDIC.

Valuation:

Valuation of investments as follows:

Investment Type	Fair Value	Level 1	Level 2	Level 3
US Treasuries	$ 41,596,164	$ 41,596,164	$ -	$ -
Federal Agencies	10,491,136	-	10,491,136	-
Agency Mortgage Backed	2,310,592	-	2,310,592	-
Supranationals	3,689,955	-	3,689,955	-
Muncipal Obligations	6,742,627	-	6,742,627	-
Corporate Notes	24,281,440	-	24,281,440	-
Asset Backed Securities	7,891,298	-	7,891,298	-
Municipal Bonds	15,379,877	-	15,379,877	-
	$ 112,383,089	$ 41,596,164	$ 70,786,925	$ -

5. CAPITAL ASSETS

SDRMA's capital assets consist of the following:

	July 1, 2021	Additions and transfers	Deletions and transfers	June 30, 2022
Non-Depreciable Assets:				
Land	$ 762,850	$ -	$ -	$ 762,850
Parking Lot	931,768	-	-	931,768
Work in Process	103,781	186,613	(103,781)	186,612
Total Non-Depreciable Assets	1,798,399	186,613	(103,781)	1,881,230
Depreciable Assets:				
Building	3,252,150	-	-	3,252,150
Building Improvements	2,331,030	55,378	-	2,386,408
Software	4,504,179	134,526	-	4,638,705
Furniture, Fixtures, and Equipment	500,253	27,565	(59,108)	468,710
Total Other Assets	10,587,612	217,470	(59,108)	10,745,974
Less Accumulated Depreciation	(7,541,498)	(756,848)	59,108	(8,239,238)
Net Depreciable Assets	3,046,114	(539,379)	-	2,506,736
Capital Assets, Net	$ 4,844,513	$ (352,766)	$ (103,781)	$ 4,387,966

For the fiscal years ended June 30, 2022 and 2021 depreciation expense was as follows:

	2022	2021
Reported as component of:		
Operating expense	$ 519,926	604,634
Rent expense	236,922	236,091
Total depreciation expense	$ 756,848	$ 840,725

6. OPERATING LEASES REVENUE

On June 30, 2004, SDRMA purchased a 25,076 square foot office building at 1112 I Street in Sacramento. The Authority occupies approximately 7,229 square feet of the building and leases out the remainder.

As of June 30, 2022, the cost of the portion of the property leased is $4,516,574. Accumulated Depreciation on the leased portion of the property is $3,416,139 as of June 30, 2022. The following is a schedule by years, based on the minimum revenue amount for future rentals from operating leases as of June 30, 2022:

Year Ended June 30	Lease Payments
2022	$ 364,347
2023	325,467
2024	304,617
2025	294,108
2026	295,877
2027	128,416
Total minimum future lease payments	$ 1,712,832

Lease income for the years ended June 30, 2022 and 2021 was $374,370 and $393,908, respectively.

7. UNPAID CLAIM LIABILITIES

The Authority establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in those aggregate liabilities for all programs during the year ended June 30:

	2022	2021
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	$ 57,965,960	$ 56,674,643
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	18,613,000	20,248,336
Increase (Decrease) in Provision of Insured Events of Prior Years	(4,527,143)	(3,587,638)
Changes in Unallocated Loss Adjustment Expense (ULAE)	309,000	356,000
Total Incurred Claims and Claim Adjustment Expenses	14,394,857	17,016,698
Payments:		
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	5,094,777	4,034,444
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	8,365,972	11,690,937
Total Payments	13,460,749	15,725,381
Total Unpaid Claims and Claims Adjustment Expenses	$ 58,900,068	$ 57,965,960
Detail of Claim Related Liabilities:		
Claims Payable	$ 33,597,788	$ 21,254,755
Claims Incurred But Not Reported	22,055,280	33,773,205
Unallocated Loss Adjustment Expenses	3,247,000	2,938,000
Totals	$ 58,900,068	$ 57,965,960
Current Portion	$ 10,000,000	$ 10,000,000
Long-term Portion	48,900,068	47,965,960
Totals	$ 58,900,068	$ 57,965,960

8. NET POSITION

Net Position represents the accumulation of funds for unexpected catastrophic losses and future discounts or reductions of contributions. A reservation of net position has been made to establish a contingency reserve at June 30, 2022 and 2021. The contingency reserve (which is not included in current expenses) is established to provide for claims where liability amounts, if any, are not determinable. The contingency reserve has been established at a certain confidence level of the estimated outstanding liabilities. For the property/liability program, this is based on a 90% confidence level on an undiscounted basis. For the workers' compensation program, this is based on an 85% confidence level on an undiscounted basis. The balance of the reserve at June 30, 2022 and 2021 has been determined based on actuarial analysis and management's past experience.

Based upon Board Policy No. 2015-05, the following are the components of the Authority's Net Position at June 30, 2022 and 2021 allocated between various reserve fund accounts (RFA's):

	2022	2021
Special Projects for Add'l Rate Stabilization	$ 33,327,594	$ 35,894,108
Longevity Distribution Fund	2,896,501	2,179,568
Deferred Maintenance Fund	2,862,037	6,829,702
Rate Stabilization Fund	6,382,565	4,085,522
Catastrophic Loss Fund	2,835,000	1,916,347
Risk Margin Fund	14,651,466	10,593,528
Invested in Capital Assets	4,387,966	4,844,512
Totals	$ 67,343,129	$ 66,343,287

Net Position by program as of June 30, 2022 and 2021 as follows:

	2022	2021
Property/Liability	$ 8,717,223	$ 5,580,004
Workers' Compensation	58,213,743	59,161,760
Health Benefits	2,137,767	1,601,523
Special District Reinsurance Group	(1,725,604)	
Totals	$ 67,343,129	$ 66,343,287

9. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. VOYA Financial administers the plan. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are held in trust (until paid or made available to the employee or other beneficiary) for the exclusive benefit of participants and beneficiaries.

10. PENSION PLAN

California Public Employees' Retirement System (CalPERS) - General Information about the Pension Plan

Plan Description – All qualified full time and probationary employees are eligible to participate in Special District Risk Management Authority's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Special District Risk Management Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63 or older	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	10.340%	7.590%
Unfunded Accrued Liability (UAL) payments	$ 54,557	$ 4,682

10. PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2022, the contributions recognized as part of pension expense for the Plan were $237,444.

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

As of June 30, 2022, the Special District Risk Management Authority reported net pension asset for its proportionate share of the net pension liability of the Plan of $133,793.

Special District Risk Management Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. Special District Risk Management Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

Proportion - June 30, 2021	0.021512%
Proportion - June 30, 2022	-0.007046%
Change - Increase (Decrease)	-0.028558%

10. PENSION PLAN (CONTINUED)

For the year ended June 30, 2022, the Authority recognized pension credit of $882,491. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ -
Differences between Expected and Actual Experience	-	15,003
Differences between Projected and Actual Investment Earnings	116,792	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	161,732
Change in Employer's Proportion	255,022	-
Pension Contributions Made Subsequent to Measurement Date	237,444	-
Total	$ 609,258	$ 176,735

Deferred outflows of resources related to contributions subsequent to the measurement date, totaling $237,444 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2023	$ 60,194
2024	57,127
2025	45,484
2026	32,275
2027	-
Thereafter	-
Total	$ 195,080

10. PENSION PLAN (CONTINUED)

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Varies by entry age and service
Increase	Protection Allowance Floor on purchasing power applies, 2.75% thereafter
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS membership data for all funds

(1) Net of pension plan investment expenses and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

10. PENSION PLAN (CONTINUED)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period
(b) An expected inflation of 2.92% used for this period

10. PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Authority's Net Pension Liability (Asset)	$ 1,014,689	$ (133,793)	$ (1,083,244)

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

Payable to the Pension Plan

At June 30, 2022, the Group had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

11. OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

The Authority provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides the medical insurance coverage for the life of eligible retirees. For employees retiring before July 1, 2014, SDRMA contributes 50% of the monthly premium. For employees retiring on or after July 1, 2014, SDRMA contributes 100% of the monthly premium of a group medical benefits plan covering the retiree only. Benefit provisions are established by the Board of Directors. The plan does not issue a financial report.

B. FUNDING POLICY

The Authority has an agreement with the California Employers' Retiree Benefit Trust to be the Trust Administrator to the Retiree Health Plan. The Authority's Board of Directors will not be fully funding the plan in the current year. The Board will review the funding requirements and policy annually.

C. BENEFITS PROVIDED

The retiring employee must elect one of the medical benefits plans offered by SDRMA to its employees. No outside plan is available for coverage

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. EMPLOYEES COVERED BY BENEFIT TERMS

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	15
	19

E. NET OPEB LIABILITY

The Authority's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions –The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.0% per year, used only to allocate the cost benefits between service years
Investment rate of return	7.1% per annum
Healthcare cost trend rates	5.7% effective January 1, 2022, decreasing 0.1% per year to an ultimate rate of 4.0% for 2076 and later years.
Assumed wage inflation	3.0% per year, used to determine the level % of pay amortization payment component of actually determined contributions
General inflation rate	2.5% per year

Pre-retirement mortality rates were based on the MacLeod Watts Scale 2020 which was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2019 Report, published in October 2019 and (2) the demographic assumptions used in the 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published April 2019.

The actuarial "demographic" assumptions used were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering SDRMA employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or best estimate of expected future experience.

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

F. ASSET ALLOCATION

Assets for payment of future OPEB liabilities are held in an irrevocable trust with California Employers' Retiree Benefit Trust. The table below reflects the target allocation and long-term expected real rate of return by asset class.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
CERBT Strategy 1		
Global Equity	59%	5.98%
REITs	8%	5.00%
US Fixed Income	25%	2.62%
Commodities	3%	2.87%
Inflation Assets	5%	1.46%
Total	100%	

G. DISCOUNT RATE

The Authority's funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO," is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

The Authority has been and continues to prefund its OPEB liability, contributing 100 percent or more of the Actuarially Determined Contributions each year. Therefore, with SDRMA's approval, the discount rate used is 7.1 percent as of June 30, 2022 and 2021, the long term expected return on trust assets.

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

H. CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Net OPEB Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	$ 1,052,440	$ 899,360	$ 153,080
Changes for the year:			
Service cost	76,696	-	76,696
Interest	78,579	-	78,579
Investment experience	-	247,482	(247,482)
Difference between expected	-	-	-
and actual experience	(62,766)	-	(62,766)
Contributions - employer	-	91,513	(91,513)
Expected investment income	-	-	-
Benefit payments	(44,787)	(44,787)	-
Assumption Changes	52,360	-	52,360
Administrative expenses	-	(611)	611
Other expenses	-	-	-
Net changes	100,082	293,597	(193,515)
Balances at June 30, 2022	$ 1,152,522	$ 1,192,957	$ (40,435)

I. SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following represents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current discount rate:

	1% Decrease (6.10%)	Discount Rate (7.10%)	1% Increase (8.10%)
Net OPEB liability (asset)	$ 141,885	$ (40,435)	$ (188,609)

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

J. SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

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

	1% Decrease (Current Trend - 1)	Healthcare Cost Trend Rates (Current Trend)	1% Increase (Current Trend + 1)
Net OPEB liability (asset)	$ (207,726)	$ (40,435)	$ 171,285

K. OPEB PLAN FIDUCIARY NET POSITION

At June 30, 2022, the Fiduciary Net Position of the Authority's contributions that have been made to an irrevocable OPEB trust were $1,193,061. The Fiduciary Net Position is applied to offset the Total OPEB Liability of $1,152,522, resulting the Net OPEB Asset of $40,539 at June 30, 2022.

L. OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2022, the Authority recognized OPEB expense of $167,402. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 136,718
Changes of assumptions	47,114	8,873
Net difference between projected and actual earnings on OPEB plan investments	-	123,025
Contributions subsequent to measurement date	94,055	-
Total	$ 141,169	$ 268,616

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Year ended June 30	Total Deferred Outflows/(Inflows) of Resources	
2023	$	(43,529)
2024		(43,215)
2025		(45,169)
2026		(51,420)
2027		(15,077)
Thereafter		(23,092)
Total	$	(221,502)

M. PAYABLE TO THE OPEB PLAN

At June 30, 2022, the Authority had no outstanding amount of contributions payable to the plan.

12. CONTINGENT LIABILITY - UNEMPLOYMENT INSURANCE

The Authority has elected to cover itself for unemployment insurance under the reimbursement method. Under this method, the Authority does not make periodic payments to the State Unemployment Compensation Disability Fund but is required to fund any claims as they are incurred. The amount of the contingent liability, if any, at June 30, 2022 and 2021 is not determinable. However, the Authority is not aware of any claims currently pending.

13. JOINT VENTURE

Effective July 1, 2003, SDRMA participated in a joint venture under a Joint Powers Agreement (JPA) with Public Risk Innovation, Solutions, and Management (PRISM) (formerly CSAC-EIA). The relationship between SDRMA and PRISM is such that PRISM is not a component unit of the Authority for financial reporting purposes.

SDRMA withdrew from LAWCX effective July 1, 2003; however, SDRMA has a continuing obligation related to potential policy year deficits and related future assessments. Full financial statements are available separately by contacting these agencies.

	LAWCX	PRISM
A. Entity	LAWCX	PRISM
B. Purpose	To self-insure and pool excess workers' compensation losses.	To provide workers' compensation coverage and employers' liability coverage from $500,000 to $100 million and $250,000 to $5 million, respectively.
C. Participants	Twenty-three municipalities, ten joint powers authorities and one special district.	One hundred eighty in the Excess Workers' Compensation program including cities, school districts, special districts and JPA's.
D. Governing Board	Consisting of one member from each participating agency.	One representative from each member county and ten members elected by the public entity membership.
E. Payments for the Current Year	$ -	$ 2,391,726

F. Condensed Financial Information

	June 30, 2021*	June 30, 2021*
Total Assets	$ 133,937,820	$ 1,006,132,845
Total Deferred Outflows of Resources	-	2,167,314
Total Assets and Deferred Outflows of Resources	$ 133,937,820	$ 1,008,300,159
Total Liabilities	$ 105,773,219	$ 820,969,455
Deferred Inflows of Resources	-	976,070
Net Position	28,164,601	186,354,634
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 133,937,820	$ 1,008,300,159
Total Revenues	$ 20,021,572	$ 1,257,557,857
Total Expenses	(17,863,078)	(1,278,916,616)
Net Income (Loss)	$ 2,158,494	$ (21,358,759)
Member Agencies Share of Year-End Assets, Liabilities, or Net Position	**	**

* Most recent information available.
** Has not been calculated.

14. SUBSEQUENT EVENTS

The Authority's management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2022 through November 1, 2022, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	Property/Liability		Workers' Compensation - Tail		Workers' Compensation - Captive		Totals	
	2022	2021	2022	2021	2022	2021	2022	2021
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	$ 16,646,009	$ 15,221,248	$ 41,319,951	$ 41,453,395	$ -	$ -	$ 57,965,960	$ 56,674,643
Incurred Claims and Claim Adjustment Expenses:								
Provision for Insured Events of the Current Year	8,093,000	8,286,336	-	11,962,000	10,520,000	-	18,613,000	20,248,336
Increase (Decrease) in Provision of Insured Events of Prior Years	(679,421)	326,971	(3,847,721)	(3,914,609)	-	-	(4,527,143)	(3,587,638)
Changes in Unallocated Loss Adjustment Expense (ULAE)	(34,000)	299,000	343,000	57,000	-	-	309,000	356,000
Total Incurred Claims and Claim Adjustment Expenses	7,379,579	8,912,307	(3,504,721)	8,104,391	10,520,000	-	14,394,857	17,016,698
Payments:								
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	1,457,725	1,755,959	2,278,485	2,278,485	1,358,567	-	5,094,777	4,034,444
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	5,417,713	5,731,587	2,948,260	5,959,350	-	-	8,365,972	11,690,937
Total Payments	6,875,438	7,487,546	5,226,745	8,237,835	1,358,567	-	13,460,749	15,725,381
Total Unpaid Claims and Claims Adjustment Expenses	$ 17,150,150	$ 16,646,009	$ 32,588,485	$ 41,319,951	$ 9,161,433	$ -	$ 58,900,068	$ 57,965,960
Detail of Claim Related Liabilities:								
Claims Payable	$ 6,047,706	$ 6,946,441	$ 18,388,649	$ 14,308,314	$ 3,036,727	$ -	$ 33,597,788	$ 21,254,755
Claims Incurred But Not Reported	9,943,444	8,506,568	12,111,836	25,266,637	6,124,706	-	22,055,280	33,773,205
Unallocated Loss Adjustment Expenses	1,159,000	1,193,000	2,088,000	1,745,000	-	-	3,247,000	2,938,000
Totals	$ 17,150,150	$ 16,646,009	$ 32,588,485	$ 41,319,951	$ 9,161,433	$ -	$ 58,900,068	$ 57,965,960
Current Portion	$ 3,500,000	$ 3,500,000	$ 6,500,000	$ 6,500,000	$ 1,500,000	$ -	$ 10,000,000	$ 10,000,000
Long-term Portion	13,650,150	13,146,009	26,088,485	34,819,951	7,661,433	-	48,900,068	47,965,960
Totals	$ 17,150,150	$ 16,646,009	$ 32,588,485	$ 41,319,951	$ 9,161,433	$ -	$ 58,900,068	$ 57,965,960

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – PROPERTY/LIABILITY PROGRAM

AS OF JUNE 30, 2022

	Fiscal and Policy Year Ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Required Contribution and										
Investment Revenue	$12,585,662	$13,950,516	$13,777,308	$14,584,784	$14,772,355	$16,979,832	$19,518,798	$22,970,827	$28,585,573	$34,108,853
Ceded	6,681,883	6,975,122	9,326,880	10,135,863	10,931,640	11,805,330	12,506,201	14,187,934	15,064,719	21,077,331
(1) Net Earned Required Contribution										
and Investment Revenues	5,903,779	6,975,394	4,450,428	4,448,921	3,840,715	5,174,502	7,012,597	8,782,893	13,520,854	13,031,522
(2) Unallocated Expenses	1,911,616	2,076,963	2,098,962	2,010,195	2,622,311	3,251,361	3,008,013	3,181,417	2,933,205	2,548,527
(3) Estimated Incurred Claims and Expense										
End of Year	11,473,883	13,158,122	14,586,880	14,663,113	16,869,640	17,360,330	19,055,040	22,748,934	23,351,053	29,170,331
Ceded	6,681,883	6,975,122	9,326,880	10,135,863	10,931,640	11,805,330	12,506,201	14,187,934	15,064,719	21,077,331
Net Incurred	4,792,000	6,183,000	5,260,000	4,527,250	5,938,000	5,555,000	6,548,839	8,561,000	8,286,334	8,093,000
(4) Paid (Cumulative)										
End of Year	1,820,235	1,738,216	1,769,122	2,168,877	1,881,957	2,078,828	1,944,243	1,517,632	1,755,959	1,457,725
One Year Later	2,566,498	2,676,452	3,143,459	3,552,173	3,569,437	4,361,185	3,859,698	2,769,771	2,626,873	
Two Years Later	3,856,474	3,724,339	4,099,227	4,887,668	4,810,567	5,244,797	5,705,372	5,599,933		
Three Years Later	4,693,138	5,355,807	4,392,076	4,981,616	4,993,354	7,273,961	6,760,812			
Four Years Later	5,094,911	5,559,096	4,392,076	4,983,306	4,949,988	7,225,710				
Five Years Later	5,081,363	5,554,821	4,392,076	5,405,809	4,765,245					
Six Years Later	5,080,363	5,554,572	4,455,234	5,940,299						
Seven Years Later	5,080,363	5,551,398	4,414,124							
Eight Years Later	5,080,893	5,550,888								
Nine Years Later	5,080,893									
(5) Reestimated Ceded Claims and Expenses	4,524,019	3,731,271	5,639,258	22,316,600	10,177,031	14,540,248	2,028,246	54,878	249,573	500,000
(6) Reestimated Incurred Claims and Expenses										
End of Year	4,792,000	6,183,000	5,260,000	4,527,250	5,938,000	5,555,000	6,548,839	8,561,000	8,286,334	8,093,000
One Year Later	5,629,099	5,582,495	4,595,243	4,775,344	4,850,349	5,580,536	7,635,000	8,441,000	7,146,093	
Two Years Later	5,308,913	5,507,456	4,928,896	4,887,668	5,408,497	7,372,567	7,422,680	7,840,991		
Three Years Later	5,125,052	5,828,359	4,455,560	4,981,616	5,188,724	7,365,757	7,739,820			
Four Years Later	5,281,889	5,559,096	4,673,187	5,692,019	5,089,219	7,423,043				
Five Years Later	5,081,470	5,613,988	4,462,187	5,891,060	4,765,245					
Six Years Later	5,080,893	5,554,572	4,562,040	5,940,299						
Seven Years Later	5,080,893	5,551,398	4,490,800							
Eight Years Later	5,080,893	5,550,888								
Nine Years Later	5,080,893									
(7) Increase (Decrease) in Estimated										
Incurred Claims Expense from										
End of Policy Year*	$ 288,893	$ (632,112)	$ (769,200)	$ 1,413,049	$ (1,172,755)	$ 1,868,043	$ 1,190,981	$ (720,009)	$ (1,140,241)	$ -

*Actuary added corredor deductible limit in 2022: $1.4M for 2018; $1.0M for 2019, $1.6M for 2020, 2021, and 2022

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM

AS OF JUNE 30, 2022

		Fiscal and Policy Year Ended June 30,									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Total Required Contribution and										
	Investment Revenue	$ 13,191,133	$ 15,399,890	$ 18,423,635	$ 20,950,479	$ 20,389,921	$ 20,275,092	$ 22,755,212	$ 23,814,629	$ 17,366,408	$ 12,231,983
	Ceded	2,217,330	4,471,725	3,104,515	4,068,930	2,635,176	3,113,390	3,407,469	2,318,787	2,395,665	13,912,813
1	Net Earned Required Contribution										
	and Investment Revenues	10,973,803	10,928,165	15,319,120	16,881,549	17,754,745	17,161,702	19,347,743	21,495,842	14,970,743	(1,680,830)
2	Unallocated Expenses	2,678,429	2,874,526	2,722,797	3,002,874	3,528,255	3,914,317	4,019,941	3,813,353	3,483,939	2,837,334
3	Estimated Incurred Claims and Expense										
	End of Year	13,492,330	15,114,725	17,004,515	17,769,930	18,007,176	15,582,390	15,749,469	12,907,787	14,357,665	24,432,813
	Ceded	2,217,330	4,471,725	3,104,515	4,068,930	2,635,176	3,113,390	3,407,469	2,318,787	2,395,665	13,912,813
	Net Incurred	11,275,000	10,643,000	13,900,000	13,701,000	15,372,000	12,469,000	12,342,000	10,589,000	11,962,000	10,520,000
4	Paid (Cumulative)										
	End of Year	1,652,610	1,804,879	1,623,424	2,938,274	1,733,679	1,710,320	1,893,510	1,125,077	2,278,485	1,358,567
	One Year Later	4,025,215	4,101,125	4,060,799	5,838,725	3,942,526	3,609,650	4,085,551	3,280,467	4,550,310	
	Two Years Later	5,668,517	5,561,420	5,318,221	8,390,954	5,506,618	5,006,074	5,429,638	4,425,837		
	Three Years Later	7,104,596	6,242,806	6,425,333	9,701,825	6,804,124	6,304,948	6,276,033			
	Four Years Later	7,364,471	6,799,920	7,084,511	10,416,920	7,561,212	6,708,371				
	Five Years Later	7,653,145	7,116,149	7,509,844	10,767,436	7,915,969					
	Six Years Later	7,909,048	7,432,371	7,665,702	11,159,609						
	Seven Years Later	8,165,933	7,498,274	7,713,551							
	Eight Years Later	8,443,350	7,459,005								
	Nine Years Later	8,521,706									
5	Reestimated Ceded Claims and Expenses	175,542	265,513	356,691	132,387	179,968	146,168	606,386	110,213	223,329	65,242
6	Reestimated Incurred Claims and Expenses										
	End of Year	11,275,000	10,643,000	13,900,000	13,701,000	15,372,000	12,469,000	12,342,000	10,589,000	11,962,000	10,520,000
	One Year Later	11,024,000	11,182,000	12,726,000	14,303,000	12,787,000	11,427,000	11,152,000	10,286,000	11,784,000	
	Two Years Later	11,299,000	10,383,000	10,724,000	13,964,000	12,179,000	11,026,000	10,859,000	9,667,000		
	Three Years Later	10,848,000	9,754,000	9,965,000	13,506,000	11,120,000	10,416,000	10,322,000			
	Four Years Later	9,639,000	8,631,000	10,032,000	13,369,000	10,767,000	9,941,000				
	Five Years Later	10,017,000	8,860,000	9,646,000	12,894,000	10,660,000					
	Six Years Later	10,048,000	8,604,000	9,033,000	12,627,000						
	Seven Years Later	9,780,000	8,466,000	8,662,000							
	Eight Years Later	9,563,000	8,097,000								
	Nine Years Later	9,419,000									
7	Increase (Decrease) in Estimated										
	Incurred Claims Expense from										
	End of Policy Year	$ (1,856,000)	$ (2,546,000)	$ (5,238,000)	$ (1,074,000)	$ (4,712,000)	$ (2,528,000)	$ (2,020,000)	$ (922,000)	$ (178,000)	$ -

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021 (1)
Proportion of the net pension liability	0.013500%	0.02151%	0.38040%	0.03994%	0.01503%	0.02151%	0.02151%	-0.00705%
Proportionate share of the net pension liability (Asset)	$ 840,009	$ 50,445	$ 414,814	$ 598,834	$ 566,548	$ 722,588	$ 907,379	$ (133,792)
Covered-employee payroll (2)	$ 1,096,564	$ 1,300,721	$ 1,714,191	$ 1,878,781	$ 1,908,634	$ 1,928,127	$ 2,101,162	$ 1,901,577
Proportionate Share of the net pension liability as percentage of covered-employee payroll	76.60%	3.88%	24.20%	31.87%	29.68%	37.48%	43.18%	-7.04%
Plan's fiduciary net position								
Plan's fiduciary net position as a percentage of the total pension liability	83.03%	79.89%	75.87%	75.39%	77.69%	77.73%	77.71%	90.49%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable

(2) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

CalPERS Miscellaneous 2% @ 55

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22 (1)
Actuarially Determined Contribution (2)	$ 103,308	$ 93,078	$ 86,676	$ 100,414	$ 95,913	$ 110,573	$ 156,487	$ 161,462
Contributions in relation to the actuarially determined contributions	(103,308)	(93,078)	(86,676)	(100,414)	(95,913)	(110,573)	(156,487)	(161,462)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll (3)	$ 1,096,564	$ 807,969	$ 1,038,335	$ 1,042,088	$ 1,071,941	$ 921,828	$ 743,301	$ 757,207
Contributions as a percentage of covered-employee payroll (3)	9.421%	11.520%	8.348%	9.636%	8.948%	11.995%	21.053%	21.323%

CalPERS Miscellaneous 2% @ 62

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22 (1)
Actuarially Determined Contribution (2)	$ -	$ 30,797	$ 41,034	$ 52,271	$ 58,070	$ 59,447	$ 57,472	$ 75,982
Contributions in relation to the actuarially determined contributions	-	(30,797)	(41,034)	(52,271)	(58,070)	(59,447)	(57,472)	(75,982)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll (3)	$ -	$ 492,752	$ 675,856	$ 836,693	$ 856,186	$ 979,749	$ 1,135,480	$ 1,144,370
Contributions as a percentage of covered-employee payroll (3)	0.000%	6.250%	6.071%	6.247%	6.782%	6.068%	5.061%	6.640%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 71,486	$ 73,808	$ 76,207	$ 74,462	$ 76,696
Interest	53,074	61,066	68,924	70,726	78,579
Changes of benefit terms	-	-	70,327	-	-
Difference between expected and actual	-	-	(118,149)	-	(62,766)
Changes of assumptions	-	-	(13,067)	-	52,360
Benefit payments	(12,925)	(21,275)	(37,402)	(28,842)	(44,787)
Net change in total OPEB liability	111,635	113,599	46,840	116,346	100,082
Total OPEB liability - beginning	664,020	775,655	889,254	936,094	1,052,440
Total OPEB liability - ending (a)	$ 775,655	$ 889,254	$ 936,094	$ 1,052,440	$ 1,152,522
Plan fiduciary net position					
Contributions - employer	$ 23,450	$ 109,818	$ 102,482	$ 105,774	$ 91,513
Net investment income	52,785	45,135	42,629	27,906	247,482
Benefit paymens	(12,925)	(21,275)	(37,402)	(28,842)	(44,787)
Administrative expense	(269)	(301)	(147)	(389)	(611)
Other expenses	-	(734)	-	-	-
Net change in plan fiduciary net position	63,041	132,643	107,562	104,449	293,597
Plan fiduciary net position - beginning	491,665	554,706	687,349	794,911	899,360
Plan fiduciary net position - ending (b)	$ 554,706	$ 687,349	$ 794,911	$ 899,360	$ 1,192,957
District's net OPEB liability - ending (a) - (b)	$ 220,949	$ 201,905	$ 141,183	$ 153,080	$ (40,435)
Plan fiduciary net position as a percentage of the total OPEB liability	71.5%	77.3%	84.9%	85.5%	103.5%
Covered-employee payroll	$ 1,878,781	$ 1,928,127	$ 1,928,127	$ 2,101,162	$ 1,901,577
District's net OPEB liability as a percentage of covered-employee payroll	11.76%	10.47%	7.32%	7.29%	-2.13%

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

SCHEDULE OF OPEB CONTRIBUTIONS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2018	2019	2020	2021	2022
Actuarially determined contribution	$ 99,293	$ 102,482	$ 105,774	$ 91,513	$ 94,055
Contributions in relation to the actuarially required contribution	$ (109,818)	$ (102,482)	$ (105,774)	$ (91,513)	$ (94,055)
Contribution deficiency (excess)	$ (10,525)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,878,781	$ 1,928,127	$ 1,985,971	$ 1,901,577	$ 2,108,259
Contributions as a percentage of covered-employee payroll	5.85%	5.32%	5.33%	4.81%	4.46%

1) RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM

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

2) CLAIMS DEVELOPMENT INFORMATION

The following tables illustrate the Authority's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of the year. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenues and investment revenues, net of ceded premiums.
2. This line shows the Authority's other operating costs including overhead and claims adjustment expenses not allocable to individual claims.
3. This line shows the Authority's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year, net of claims in excess of the Authority's self-insured retention.
4. This section shows the cumulative amounts paid as of the end of the year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.
6. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

3) SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal year 2015 was the first year of implementation; therefore, only eight years are shown.

4) SCHEDULE OF CONTRIBUTIONS

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

5) SCHEDULE OF THE CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Benefit changes There were no benefit changes during the year.

Change of assumptions There were no change in assumptions during the year.

Fiscal year 2018 was the first year of implementation; therefore, only five years is shown.

6) SCHEDULE OF OPEB CONTRIBUTIONS

Valuation date is June 30, 2021.

Actuarially determined contribution rates are calculated as of June 30, 2021.

Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of pay
Amortization period	5-year straight-line recognition
Asset valuation method	Market value of assets
Healthcare cost trend rates	5.4% in 2021 fluctuating down to 4.0% in 2076
Salary increases	3.00% per annum, in aggregate
Investment rate of return	7.00 percent as of June 30, 2021
Retirement age	At least age 55 and completing a minimum 10 years of service with the Authority
Mortality	MacLeod Watts Scale 2020 applied generationally

SUPPLEMENTARY INFORMATION

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2022

	Property/Liability	Workers' Compensation	Health Benefits	Captive	Eliminating Entries	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 5,713,992	$ 7,440,987	$ 1,505,299	$ 1,490,873	$ -	$ 16,151,151
Current investments	1,624,654	2,919,652	-	-	-	4,544,306
Receivables	1,452,510	2,284,286	29,949	-	-	3,766,745
Interfund receivable	121,707	68,598	30,980	-	(221,285)	-
Prepaid expenses	31,306	34,118	3,070,620	6,375		3,142,419
Total Current Assets	8,944,169	12,747,641	4,636,848	1,497,248	(221,285)	27,604,621
Noncurrent Assets						
Investments, at market	18,328,453	74,130,453	-	15,379,877	-	107,838,783
Investment in captive	-	8,833,000	-	-	(8,833,000)	-
Net pension asset	73,586	41,476	18,731	-	-	133,793
Net OPEB asset	22,239	12,535	5,661	-	-	40,435
Capital assets:						
Land	381,425	381,425	-	-	-	762,850
Other capital assets, net	919,015	2,588,036	118,065	-	-	3,625,116
Total Noncurrent Assets	19,724,718	85,986,925	142,457	15,379,877	(8,833,000)	112,400,977
Total Assets	28,668,887	98,734,566	4,779,305	16,877,125	(9,054,285)	140,005,598
Deferred Outflows of Resources						
Deferred outflow on pension	335,092	188,870	85,296	-	-	609,258
Deferred outflow on OPEB	77,643	43,762	19,764	-	-	141,169
Total Deferred Outflows of Resources	412,735	232,632	105,060	-	-	750,427
Liabilities						
Current Liabilities						
Accounts payable	136,686	893,041	13,424	450,462	-	1,493,613
Accrued payroll	115,985	65,373	29,523	-	-	210,881
Member payable	-	2,896,501	-	-	-	2,896,501
Unearned contributions	2,594,930	4,261,231	2,610,321	-	-	9,466,482
Interfund payable	121,706	68,598	30,981	-	(221,285)	-
Current portion of claim-related liabilities	3,500,000	6,500,000	-	-	-	10,000,000
Total Current Liabilities	6,469,307	14,684,744	2,684,249	450,462	(221,285)	24,067,477
Noncurrent Liabilities						
Noncurrent portion of claim-related liabilities	13,650,150	26,088,485	-	9,161,433	-	48,900,068
Total Noncurrent Liabilities	13,650,150	26,088,485		9,161,433		48,900,068
Total Liabilities	20,119,457	40,773,229	2,684,249	9,611,895	(221,285)	72,967,545
Deferred Inflows of Resources						
Deferred inflow on pension	97,203	54,789	24,743	-	-	176,735
Deferred outflow on OPEB	147,739	83,271	37,606	-	-	268,616
Total Deferred Inflows of Resources	244,942	138,060	62,349	-	-	445,351
Net Position						
Contributed capital	-	-	-	8,833,000	(8,833,000)	-
Net investment in capital assets	1,300,440	2,969,461	118,065	-		4,387,966
Unrestricted	7,416,783	55,086,448	2,019,702	(1,567,770)	-	62,955,163
Total Net Position	$ 8,717,223	$ 58,055,909	$ 2,137,767	$ 7,265,230	$ (8,833,000)	$ 67,343,129

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

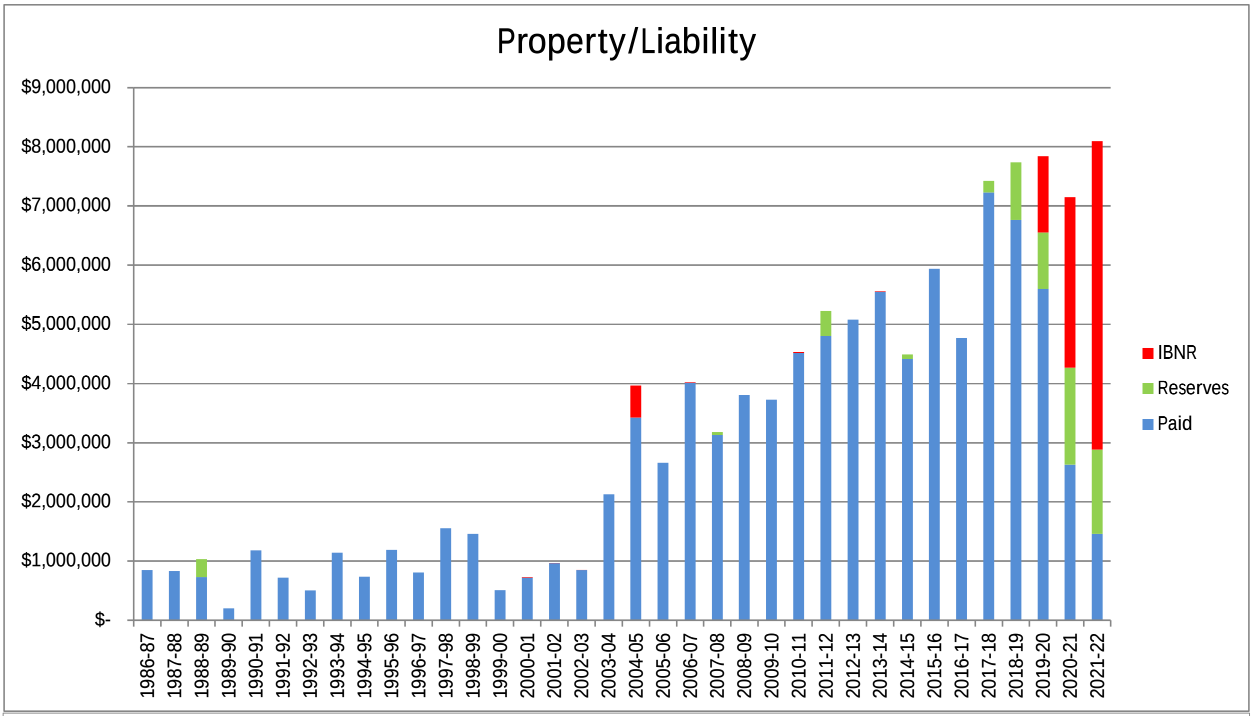
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

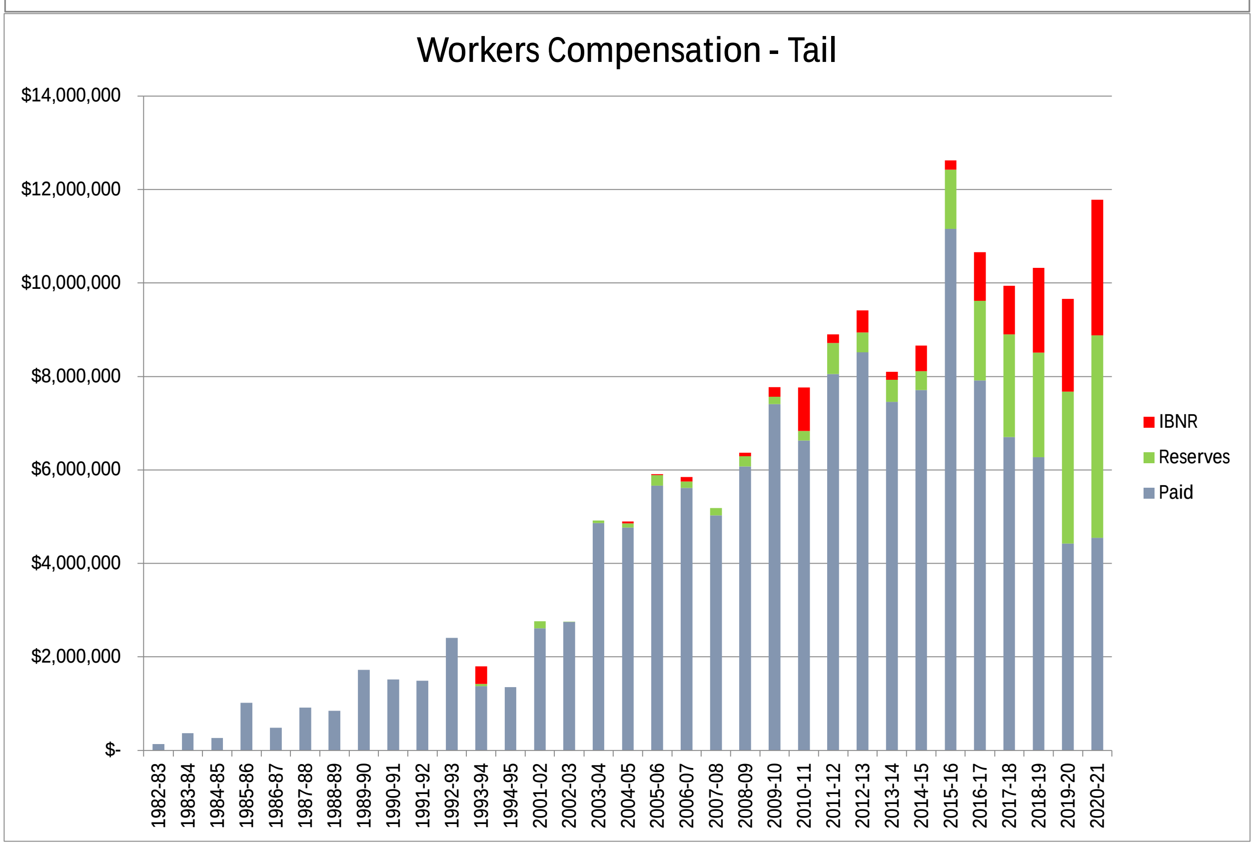
	Property/Liability	Workers' Compensation	Health Benefits	Captive	Eliminating Entries	Total
Operating Revenues						
Members' contribution	$ 34,917,171	$ 16,010,636		$ 11,409,000	$ (11,409,000)	$ 50,927,807
Health benefits premium	-	-	$ 37,972,988	-	-	37,972,988
Dividends income	-	-	45,355	-	-	45,355
Other income	7	18,342	2	-	-	18,351
Total Operating Revenues	34,917,178	16,028,978	38,018,345	11,409,000	(11,409,000)	88,964,501
Operating Expenses						
Claims expense	7,379,579	(3,346,887)	-	10,362,165	-	14,394,857
Insurance expense	21,077,331	13,912,813	-	-	(11,409,000)	23,581,144
Health insurance expense	-	-	36,863,123	-	-	36,863,123
Contract services and CSDA fees	562,857	1,708,713	37,290	-	-	2,308,860
Salaries and benefits	954,159	537,798	242,876	-	-	1,734,833
General and administrative	772,392	383,894	242,983	111,171	-	1,510,440
Depreciation expense	259,219	206,830	53,877	-	-	519,926
Dividends expenses	-	-	45,355	-	-	45,355
Total Operating Expenses	31,005,537	13,403,161	37,485,504	10,473,336	(11,409,000)	80,958,538
Operating Income (Loss)	3,911,641	2,625,817	532,841	935,664	-	8,005,963
Nonoperating Revenues and Expenses						
Rental revenue	179,722	194,648	-	-	-	374,370
Rental expense	(146,026)	(147,663)	-	-	-	(293,689)
Net Rental Income (Loss)	33,696	46,985		-	-	80,681
Investment income	(808,318)	(3,778,653)	3,403	(2,503,434)	-	(7,087,002)
Capital contribution				-	-	
Gain on disposal of asset	200	-	-	-	-	200
Total Nonoperating Revenues and Expenses	(774,422)	(3,731,668)	3,403	(2,503,434)	-	(7,006,121)
Change in Net Position	3,137,219	(1,105,851)	536,244	(1,567,770)	-	999,842
Beginning Net Position	5,580,004	59,161,760	1,601,523	3,833,000	(3,833,000)	66,343,287
Paid In Capital				5,000,000	(5,000,000)	-
Ending Net Position	$ 8,717,223	$ 58,055,909	$ 2,137,767	$ 7,265,230	$ (8,833,000)	$ 67,343,129

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

GRAPHICAL PRESENTATION OF CLAIMS

JUNE 30, 2022

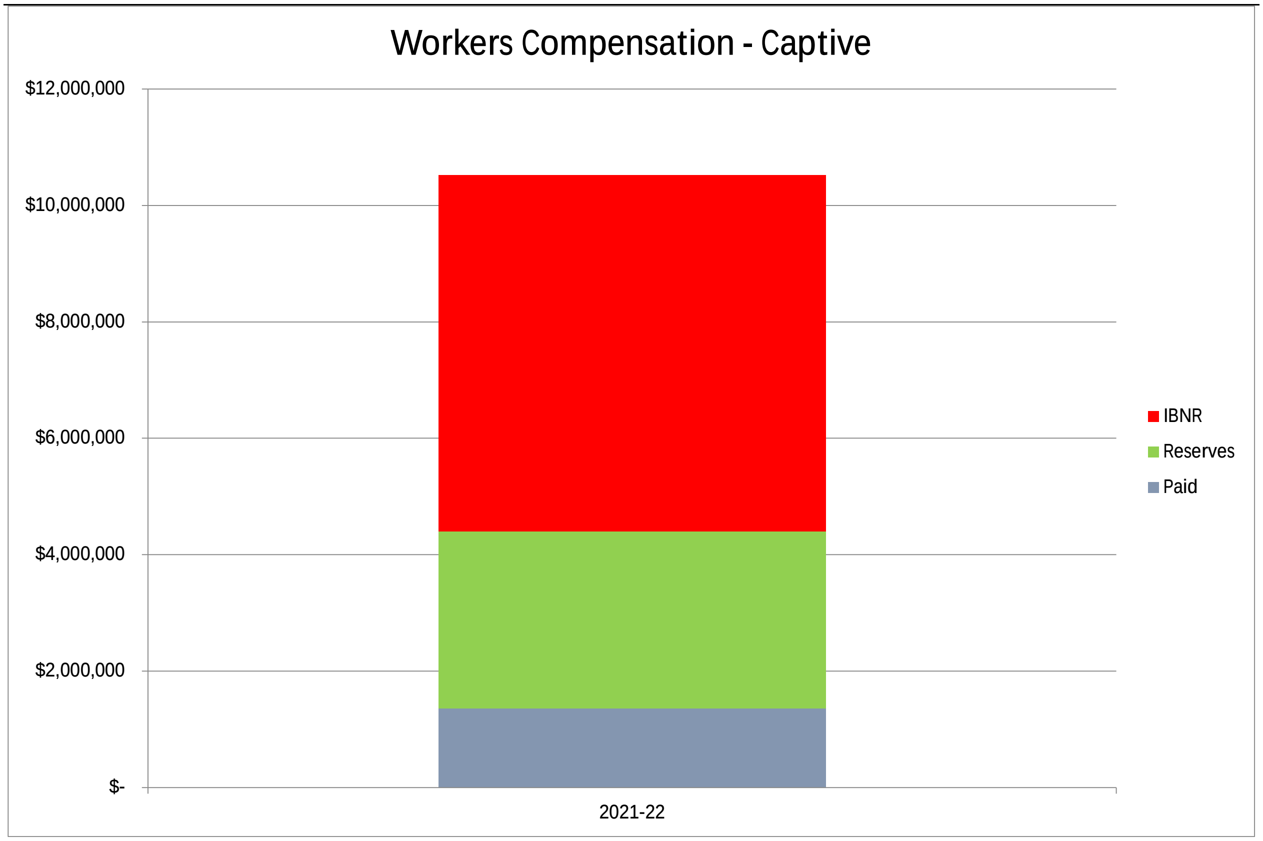




SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

GRAPHICAL PRESENTATION OF CLAIMS

JUNE 30, 2022



The captive started covering all Workers Compensation claims on 7/1/21.

1112 I Street, Suite 300
Sacramento, California 95814-2865
T 916.231.4141
T 800.537.7790
F 916.231.4111
www.sdrma.org

2021-22 Annual Financial Audit

Financial Statements with Independent Auditor's Report