SDRMA

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended
June 30, 2023
(With Comparative Amounts as of June 30, 2022

NIGRO & NIGRO PC

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
Board of Directors and Officers
As of June 30, 2023

PRESIDENT

Sandy Seifert-Raffelson
Herlong Public Utility District

VICE - PRESIDENT

Robert Swan
Groveland Community Services District

SECRETARY

Jesse Claypool
Honey Lake Valley Resource Conservation District

DIRECTORS

David Aranda, CSDM
Kensington Police Protection Community Services District

Mike Scheafer
Costa Mesa Sanitary District

Timothy Unruh, CSDM
Kern County Cemetery District #1

Thomas Wright
Clovis Veterans Memorial District

AUTHORITY MANAGEMENT

Brian Kelley, MBA, ARM
Chief Executive Officer

Matt Clutterbuck, CPA
Chief Financial Officer

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY
For the Fiscal Year Ended June 30, 2023
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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Special District Risk Management Authority
Sacramento, California

Opinion

We have audited the accompanying financial statements of the Special District Risk Management Authority (Authority), which comprise the balance sheet as of June 30, 2023, and related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Agency 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 opinion.

Responsibilities of Management for the Financial Statements

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. 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 the Agency'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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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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 opinion. 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards,* 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 the 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 the 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, Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the Authority's Contributions to the Defined Benefit Pension Plan, Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios, and Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. Schedule of Balance Sheets – Combined – Internal Funds, Schedule of Revenues, Expenses, Changes in Net Position – Combined – Internal Funds, and Reconciliation of Claims Liabilities by Type of Contract, and Claims Development Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated November 1, 2023, on our consideration of the 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 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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
November 1, 2023

Management's Discussion and Analysis (MD&A) offers readers of Special District Risk Management Authority's financial statements a narrative overview of the Authority's financial activities for the year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets. Please read in conjunction with the financial statements which follow this section.

Reflecting on the current fiscal year, we are very pleased with all that we have accomplished despite the ongoing challenges related to the rising interest rates, increased claims costs and legal costs, and increased inflation – all of which effect special districts across California. Special District Risk Management Authority ("SDRMA" or "Authority") is proud of the services we offer our members during this hardened insurance market.

FINANCIAL HIGHLIGHTS

- In fiscal year 2023, the Authority's net position increased 6.20%, or $4,178,074 from the prior year's net position of $67,343,129 to $71,521,203, as a result of the year's operations.
- In fiscal year 2023, operating revenues increased by 10.18%, or $9,053,971 from $88,964,501 to $98,018,472, from the prior year, primarily due to a $6,994,014 increase in members' contributions and a $2,077,067 increase in health benefits premiums.
- In fiscal year 2023, operating expenses before depreciation expense increased by 19.40% or $15,608,428 from $80,438,612 to $96,047,040 from the prior year, primarily due to increases in all types of claims and insurance expenses, as well as increases in the Authority's salaries and benefits expenses.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the Authority's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine if the Authority has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and creditworthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Authority's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's net position and changes in it. You can think of the Authority's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, the overall insurance market, and new or changes to existing government legislation.

Condensed Balance Sheets

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Assets:					
Current assets	$ 26,172,272	$ 23,060,315	$ 3,111,957	$ 34,106,243	$ (11,045,928)
Non-current assets	116,318,218	112,557,317	3,760,901	$ 100,910,157	11,647,160
Capital assets, net	4,084,503	4,387,966	(303,463)	4,844,514	(456,548)
Total assets	146,574,993	140,005,598	6,569,395	139,860,914	144,684
Deferred outflows of resources	1,664,198	750,427	913,771	606,052	144,375
Total assets and deferred outflows of resources	$ 148,239,191	$ 140,756,025	$ 7,483,166	$ 140,466,966	$ 289,059
Liabilities:					
Current liabilities	$ 25,749,419	$ 25,458,613	$ 290,806	$ 24,860,246	$ 598,367
Non-current liabilities	50,594,052	47,508,932	3,085,120	49,026,419	(1,517,487)
Total liabilities	76,343,471	72,967,545	3,375,926	73,886,665	(919,120)
Deferred inflows of resources	374,517	445,351	(70,834)	237,014	208,337
Net position:					
Investment in capital assets	4,084,503	4,387,966	(303,463)	4,844,514	(456,548)
Unrestricted	67,436,700	62,955,163	4,481,537	61,498,773	1,456,390
Total net position	71,521,203	67,343,129	4,178,074	66,343,287	999,842
Total liabilities, deferred outflows of resources and net position	$ 148,239,191	$ 140,756,025	$ 7,483,166	$ 140,466,966	$ 289,059

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by $71,521,203 as of June 30, 2023.

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

Condensed Balance Sheets (continued)
5.71% or $4,084,503 of the Authority's net position as of June 30, 2023, reflects the Authority's investment in capital assets (net of accumulated depreciation). The Authority uses these capital assets to provide services to its Members; consequently, these assets are not available for future spending.

At the end of year 2023, the Authority showed a positive balance in its unrestricted net position of $67,436,700 which may be utilized in future years.

Net Position

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 October 6, 2023. 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 2022-23 by $178,533 based on the needs of the programs.

The **Catastrophic Loss Fund** is used to maintain an amount based on each specific programs' self-insurance retention amount. No changes were made in the current year.

The **Longevity Distribution Fund** rewards members' longevity based on specific 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. This fund was increased in 2022-23 by $695,854 based on the needs of the fund.

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.

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Operating revenues	$ 98,018,472	$ 88,964,501	$ 9,053,971	$ 83,228,109	$ 5,736,392
Operating expenses	(96,047,040)	(80,438,612)	(15,608,428)	(77,701,700)	(2,736,912)
Operating income before depreciation	1,971,432	8,525,889	(6,554,457)	5,526,409	2,999,480
Depreciation expense	(513,790)	(519,926)	6,136	(604,634)	(84,708)
Operating income	1,457,642	8,005,963	(6,548,321)	4,921,775	3,084,188
Non-operating revenues(expenses), net	2,720,432	(7,006,121)	9,726,553	478,878	(7,484,999)
Change in net position	4,178,074	999,842	3,178,232	5,400,653	(4,400,811)
Net position:					
Beginning of year	67,343,129	66,343,287	999,842	60,942,634	5,400,653
End of year	$ 71,521,203	$ 67,343,129	$ 4,178,074	$ 66,343,287	$ 999,842

The statement of revenues, expenses and changes in net position shows how the Authority's net position changed during the fiscal years. In the case of the Authority, net position increased 6.20%, or $4,178,074 from the prior year's net position of $67,343,129 to $71,521,203, as a result of the year's operations.

Total Revenues

	June 30, 2023	June 30, 2022	Increase (Decrease)	June 30, 2021	Increase (Decrease)
Operating revenues:					
Members' contributions	$ 57,921,821	$ 50,927,807	$ 6,994,014	$ 45,575,905	$ 5,351,902
Health benefits premium	40,050,055	37,972,988	2,077,067	37,509,933	463,055
Dividend income	-	45,355	(45,355)	142,260	(96,905)
Other operating revenues	46,596	18,351	28,245	11	18,340
Total operating revenues	98,018,472	88,964,501	9,053,971	83,228,109	5,736,392
Non-operating:					
Rental revenue	377,096	374,370	2,726	393,908	(19,538)
Investment earnings	2,488,877	(7,087,002)	9,575,879	379,488	(7,466,490)
Sale of capital assets	-	200	(200)	-	200
Total non-operating	2,865,973	(6,712,432)	9,578,405	773,396	(7,485,828)
Total revenues	$ 100,884,445	$ 82,252,069	$ 18,632,376	$ 84,001,505	$ (1,749,436)

In fiscal year 2023, operating revenues increased by 10.18%, or $9,053,971 from $88,964,501 to $98,018,472, from the prior year, primarily due to a $6,994,014 increase in Members' contributions and a $2,077,067 increase in health benefits premiums. The Authority experienced $2,488,877 in investment income for fiscal year 2022-23 due to increases in prevailing interest rates and the mark-to-market adjustments to the Authority's fixed income holdings and equities. Investment income for 2022-23 includes unrealized gains (losses) due to the change in fair market value offset by interest income. Total revenue increased 22.65% or $18,632,376, from $82,252,069 in 2022, to $100,884,445 in 2023.

FINANCIAL ANALYSIS OF THE AUTHORITY (continued)

Total Expenses

	June 30, 2023	June 30, 2022	Increase (Decrease)	June 30, 2021	Increase (Decrease)
Operating expenses:					
Claims expense	$ 21,714,323	$ 14,394,857	$ 7,319,466	$ 17,016,698	$ (2,621,841)
Insurance expense	27,207,870	23,581,144	3,626,726	17,460,384	6,120,760
Health insurance expense	38,879,531	36,863,123	2,016,408	36,589,764	273,359
Contract services and CSDA fees	2,375,627	2,308,860	66,767	2,411,481	(102,621)
Salaries and benefits	4,102,804	1,734,833	2,367,971	2,843,327	(1,108,494)
General and administrative	1,766,885	1,510,440	256,445	1,237,786	272,654
Dividends expense	-	45,355	(45,355)	142,260	(96,905)
Total operating expenses	96,047,040	80,438,612	15,608,428	77,701,700	2,736,912
Depreciation expense	513,790	519,926	(6,136)	604,634	(84,708)
Non-operating expenses:					
Rental expense	145,541	293,689	(148,148)	294,518	(829)
Total non-operating	145,541	293,689	(148,148)	294,518	(829)
Total expenses	$ 96,706,371	$ 81,252,227	$ 15,454,144	$ 78,600,852	$ 2,651,375

In fiscal year 2023, operating expenses before depreciation expense increased by 19.40% or $15,608,428 from $80,438,612 to $96,047,040 from the prior year, primarily due to increases in all types of claims and insurance expenses, as well as increases in the Authority's salaries and benefits expenses.

Capital Assets

Capital assets:	Balance June 30, 2023	Balance June 30, 2022	Balance June 30, 2021
Non-depreciable assets	$ 1,884,365	$ 1,881,230	$ 1,798,399
Depreciable assets	10,754,998	10,745,974	10,587,612
Accumulated depreciation	(8,554,860)	(8,239,238)	(7,541,498)
Total capital assets, net	$ 4,084,503	$ 4,387,966	$ 4,844,513

At the end of year 2023, the Authority's investment in capital assets amounted to $4,084,503(net of accumulated depreciation), respectively. Capital asset additions amounted to $210,327 for various software and equipment. See Note 3 for further information.

The Authority 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.

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.

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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

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.

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION (continued)

Insurance Market Condition and Outlook (continued)

In 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 2023-24. 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% range. However, should SDRMA have claims develop dramatically, rates could be increasing above the 25% 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.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's funding sources, customers, stakeholders and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Authority's Finance Department, 1112 I Street, Suite 300, Sacramento, CA 95814.

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.

Brian Kelley, ARM	Matt Clutterbuck, CPA
Chief Executive Officer	Chief Financial Officer

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Balance Sheets

June 30, 2023 (With Comparative Amounts as of June 30, 2022)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
Current assets:		
Cash and cash equivalents (Note 2)	$ 16,292,554	$ 16,151,151
Accrued interest receivable	359,023	266,074
Accounts receivable	6,097,683	3,500,671
Prepaid expenses	3,423,012	3,142,419
Total current assets	26,172,272	23,060,315
Non-current assets:		
Investments (Note 2)	116,318,218	112,383,089
Net OPEB asset (Note 7)	-	40,435
Net pension asset (Note 8)	-	133,793
Capital assets – not being depreciated (Note 3)	1,884,365	1,881,230
Capital assets – being depreciated, net (Note 3)	2,200,138	2,506,736
Total non-current assets	120,402,721	116,945,283
Total assets	146,574,993	140,005,598
Deferred outflows of resources:		
Deferred amounts related to net OPEB liability (Note 7)	394,903	141,169
Deferred amounts related to net pension liability (Note 8)	1,269,295	609,258
Total deferred outflows of resources	1,664,198	750,427
Total assets and deferred outflows of resources	$ 148,239,191	$ 140,756,025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2023	2022
Current liabilities:		
Accounts payable and accrued expenses	$ 1,381,587	$ 1,493,613
Accrued salaries and benefits	67,785	43,398
Member payable	2,051,690	2,896,501
Unearned contributions	8,795,936	9,466,482
Long-term liabilities – due within one year:		
Claim-related payable (Note 5)	13,400,000	11,500,000
Compensated absences (Note 6)	52,421	58,619
Total current liabilities	25,749,419	25,458,613
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Claim-related payable (Note 5)	48,770,849	47,400,068
Compensated absences (Note 6)	97,352	108,864
Net OPEB liability (Note 7)	373,173	-
Net pension liability (Note 8)	1,352,678	-
Total non-current liabilities	50,594,052	47,508,932
Total liabilities	76,343,471	72,967,545
Deferred inflows of resources:		
Deferred amounts related to net OPEB liability (Note 7)	125,269	268,616
Deferred amounts related to net pension liability (Note 8)	249,248	176,735
Total deferred inflows of resources	374,517	445,351
Net position:		
Investment in capital assets	4,084,503	4,387,966
Unrestricted	67,436,700	62,955,163
Total net position	71,521,203	67,343,129
Total liabilities, deferred inflows of resources and net position	$ 148,239,191	$ 140,756,025

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	2023	2022
Operating revenues:		
Members' contributions	$ 57,921,821	$ 50,927,807
Health benefits premium	40,050,055	37,972,988
Dividend income	-	45,355
Other operating revenues	46,596	18,351
Total operating revenues	98,018,472	88,964,501
Operating expenses:		
Claims expense	21,714,323	14,394,857
Insurance expense	27,207,870	23,581,144
Health insurance expense	38,879,531	36,863,123
Contract services and CSDA fees	2,375,627	2,308,860
Salaries and benefits	4,102,804	1,734,833
General and administrative	1,766,885	1,510,440
Dividends expense	-	45,355
Total operating expenses	96,047,040	80,438,612
Operating income before depreciation expense	1,971,432	8,525,889
Depreciation expense	(513,790)	(519,926)
Operating income	1,457,642	8,005,963
Non-operating revenues(expenses):		
Rental revenue	377,096	374,370
Rental expense	(145,541)	(293,689)
Investment earnings	2,488,877	(7,087,002)
Sale of capital assets	-	200
Total non-operating revenue, net	2,720,432	(7,006,121)
Change in net position	4,178,074	999,842
Net position:		
Beginning of year	67,343,129	66,343,287
End of year	$ 71,521,203	$ 67,343,129

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Statements of Cash Flows

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Cash receipts from members	$ 94,750,914	$ 96,972,245
Cash paid to employees for salaries and wages	(2,169,857)	(2,644,039)
Cash paid to members and vendors for claims and premiums	(90,921,681)	(77,338,431)
Net cash provided by operating activities	1,659,376	16,989,775
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(210,327)	(300,300)
Proceeds from the sale of capital assets	-	200
Net cash used in capital and related financing activities	(210,327)	(300,100)
Cash flows from investing activities:		
Sale of investments	4,544,306	21,476,370
Purchase of investments	(8,657,610)	(37,651,234)
Investment earnings	2,574,103	1,652,152
Cash received from rental revenue	377,096	374,370
Cash paid for rental expenses	(145,541)	(56,767)
Net cash used in investing activities	(1,307,646)	(14,205,109)
Net increase in cash and cash equivalents	141,403	2,484,566
Cash and cash equivalents:		
Beginning of year	16,151,151	13,666,585
End of year	$ 16,292,554	$ 16,151,151

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Statements of Cash Flows (continued)

For the Fiscal Year Ended June 30, 2023 (With Comparative Amounts as of June 30, 2022)

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,457,642	$ 8,005,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	513,790	519,926
Change in assets – (increase)decrease:		
Accounts receivable	(2,597,012)	9,404,469
Prepaid expenses	(280,593)	38,670
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net OPEB liability	(253,734)	(22,742)
Deferred amounts related to net pension liability	(660,037)	(121,633)
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(112,026)	(61,842)
Accrued salaries and benefits	24,387	(1,002)
Member payable	(844,811)	716,933
Unearned contributions	(670,546)	(1,396,725)
Compensated absences	(17,710)	-
Claim-related liabilities	3,270,781	934,108
Net OPEB liability	413,608	(193,515)
Net pension liability	1,486,471	(1,041,172)
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to net OPEB liability	(143,347)	165,468
Deferred amounts related to net pension liability	72,513	42,869
Total adjustments	201,734	8,983,812
Net cash provided by operating activities	$ 1,659,376	$ 16,989,775
Noncash investing, capital and financing transactions		
Change in fair-value of investments	$ (178,175)	$ (8,739,154)

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of 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.

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

Admission
Any public agency organized under the laws of the State of California, which is a member of the California Special District's 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.

Withdrawal
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.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The Authority is the primary governmental unit based on the foundation of a separately elected governing board that is elected by its members. The Authority is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Authority 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.

On July 1, 2021, SDRMA formed a Captive Reinsurance Company called Special Authority 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. The Authority maintains a separate fund to account for the operations of the SDRG and presents consolidated financial statements here in that include the SDRG.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from members contributions are recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the Authority. The Authority reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the Authority as all activities other than financing and investing activities (interest expense and investment income), and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as non-operating expenses.

C. 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, 2023 and 2022, there were 499 and 493 members, respectively, participating in the Property/Liability Program.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Description of Programs (continued)

Property/Liability Program (continued)
The following table reflects the risk financing limits provided by the Program at June 30, 2023:

Type of Coverage	Per Occurrence Deductible		Self- Insurance Retention	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 and 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.

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 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.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Description of Programs (continued)

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, 2023 and 2022, there were 423 and 426 members, respectively, participating in the Workers' Compensation program. The following table reflects the risk financing limits provided by the Program at June 30, 2023:

	Per Occurrence		
Type of Coverage	**Deductible**	**Self- Insurance Retention**	**Total Risk Financing Limits**
Workers' Compensation	$ -	$ 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, 2023 and 2022, there were 110 and 113 groups, respectively, participating in the Medical Benefits program and there were 112 and 104 groups, respectively, participating in the Ancillary Coverages Program.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments
Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

2. Investments (continued)

In accordance with fair value measurements, the Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Authority has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Authority's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Receivables and Allowance for Doubtful Accounts

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, 2023, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

4. Prepaid Expenses

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Lease Receivable and Deferred Inflows of Resources
The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the Authority is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The Authority's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease. The Authority maintains a lease capitalization threshold of $1,000,000, and as of June 30, 2023, had no lease agreements exceeding that threshold.

6. Capital Assets
Capital assets are stated at cost or at their estimated fair value at date of donation. It is the Authority's policy to capitalize assets costing over $1,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the Authority's classes of assets are as follows:

Description	Estimated Lives
Buildings and improvements	30 years
Furniture and equipment	3-5 years
Software	3 years

7. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

8. Compensated Absences
The Authority's policy permits employees to accumulate earned, but unused vacation benefits up to 320 hours. Any excess accumulation is forfeited by the employees if they reach the maximum limit. Upon termination, retirement or death of an employee, the Authority pays any accrued vacation in a lump-sum payment to the employee or beneficiary. All accumulated vacation is recorded as an expense and a liability at the time the benefit is earned.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. 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 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.

10. 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.

11. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans and addition 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.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2021
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

12. Pensions (continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

13. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2022
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

14. Members' Contributions

Revenues mainly consist of premium contributions from members. Contribution development is performed by actuaries along with management, and approved by 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.

15. Net Position

Net position is classified into two components: investment in capital assets and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation.

- **Unrestricted** – This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

F. Reclassifications
The Authority has reclassified certain prior year information to conform with current year presentation.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

Description	June 30, 2023
Cash and cash equivalents	$ 16,292,554
Investments	116,318,218
Total cash and investments	$ 132,610,772

Cash and investments consisted of the following:

Description	June 30, 2023
Cash on hand	$ 300
Demand deposits held with financial institutions	7,883,630
Local Agency Investment Fund (LAIF)	26,502
California Asset Management Program (CAMP) Pool	8,382,122
Investments	116,318,218
Total cash and investments	$ 132,610,772

Demand Deposits with Financial Institutions
At June 30, 2023, the carrying amount of the Authority's demand deposits was $7,883,630 and the financial institution's balances were $8,236,560. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the Authority's balance for each year.

Custodial Credit Risk – Deposits
Custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, the Authority's deposits were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California law.

Local Agency Investment Fund (LAIF) – External Pool
The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The Authority is a voluntary participant in LAIF. The fair value of the Authority's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the Authority considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, the Authority held $26,502 in LAIF.

California Asset Management Program (CAMP) Pool – External Pool
The Authority is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority (JPA) established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value (NAV) per share of $1.00. The CAMP Pool invests in obligations of the United States Government and its agencies, high-quality, short-term debt obligations of U.S. companies and financial institutions. The CAMP Pool is a permitted investment for all local agencies under CGC Section 53601(p). CAMP is directed by a Board of Trustees, which is made up of experienced finance directors and treasurers of California public agencies that are members of the JPA. CAMP determines fair value on its investment portfolio based on amortized cost. The Authority measures the value of its CAMP Pool investment at the fair value amount provided by CAMP. On June 30, 2023, the CAMP Pool had a total portfolio of approximately $15.9 billion of which all was invested in non-derivative financial products. The average maturity of the CAMP Pool's investments was 26 days as of June 30, 2023. As of June 30, 2023, the Authority held $8,382,122 in the CAMP Pool.

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments

The Authority's investments as of June 30, 2023 are presented in the following Investment Table:

Type of Investments	Measurement Input	Credit Rating	Total Fair Value	Maturity: 12 Months or Less	Maturity: 13 to 24 Months	Maturity: 25 to 120 Months
U.S. treasury obligations	Level 2	N/A	$ 35,996,434	$ -	$ 2,575,218	$ 33,421,216
U.S. government sponsored agency securities	Level 2	A to AAA	5,981,346	559,011	1,166,313	4,256,022
Agency mortgage bonds	Level 2	A to AAA	3,443,680	-	3,321,213	122,467
Supranationals	Level 2	A to AAA	857,238	-	857,238	-
Medium-term corporate notes	Level 2	A to AAA	32,187,172	1,738,216	11,079,651	19,369,305
Municipal securities	Level 2	A to AAA	4,342,131	-	2,974,936	1,367,195
Asset-backed securities	Level 2	A to AAA	3,993,335	91,319	287,604	3,614,412
Money-market mutual funds	N/A	N/A	28,822,733	28,822,733	-	-
Held by bond trustee:						
Money-market mutual funds	N/A	N/A	694,149	694,149	-	-
Total investments			$ 116,318,218	$ 31,905,428	$ 22,262,173	$ 62,150,617

Investments Authorized by the California Government Code and the Authority's Investment Policy

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

Authorized Investment Type	Maximum Percentage of Portfolio
US Government & Agency Obligations	100%
Local Agency Investment Fund (LAIF)	$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%

NOTE 2 – CASH AND INVESTMENTS (continued)

Disclosures Relating to Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Disclosures Relating to Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the Investment Table are Standard & Poor's credit ratings for the Authority's investments as of June 30, 2023. U.S. treasury obligations are not required to be rated and therefore no rating has been assigned.

Concentration of Credit Risk
Investments in any one issuer that represent 5% or more of total Authority investments are as follows:

Issuer	Amount	% of Portfolio
U.S. Government	$ 35,996,434	31%

Fair Value Measurements
The Authority categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs. All of the Authority's investments were assigned a Level 2 input on the Investment Table.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2023, were as follows:

Description	Balance July 1, 2022	Additions	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land and rights of way	$ 762,850	$ -	$ -	$ 762,850
Parking lot	931,768	-	-	931,768
Construction-in-process	186,612	205,633	(202,498)	189,747
Total non-depreciable assets	1,881,230	205,633	(202,498)	1,884,365
Depreciable assets:				
Buildings	3,252,150	-	-	3,252,150
Buildings improvements	2,386,408	1,966	-	2,388,374
Software	4,638,705	181,880	-	4,820,585
Furniture, fixtures, and equipment	468,711	23,346	(198,168)	293,889
Total depreciable assets	10,745,974	207,192	(198,168)	10,754,998
Accumulated depreciation:				
Buildings	(1,965,876)	(108,405)	-	(2,074,281)
Buildings improvements	(1,450,263)	(126,171)	-	(1,576,434)
Software	(4,374,530)	(265,316)	-	(4,639,846)
Furniture, fixtures, and equipment	(448,569)	(13,898)	198,168	(264,299)
Total accumulated depreciation	(8,239,238)	(513,790)	198,168	(8,554,860)
Total depreciable assets, net	2,506,736	(306,598)	-	2,200,138
Total capital assets, net	$ 4,387,966	$ (100,965)	$ (202,498)	$ 4,084,503

NOTE 4 – RENTAL AGREEMENT 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 rents out the remainder. The following is a schedule by years, based on the minimum revenue amount for future payments from the current agreements as of June 30, 2023:

Fiscal Year	Payments
2024	$ 299,395
2025	272,284
2026	248,731
2027	117,699
Total	$ 938,109

Rental income for the year ended June 30, 2023 was $377,096.

NOTE 5 – 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:

	2023	2022
Unpaid claims and claim adjustment expenses at beginning of year	$ 58,900,068	$ 57,965,960
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	20,589,000	18,613,000
Increase (decrease) in provision of insured events of prior years	587,323	(4,527,143)
Changes in unallocated loss adjustment expense (ULAE)	538,000	309,000
Total incurred claims and claim adjustment expenses	21,714,323	14,394,857
Payments:		
Claim and claim adjustment expenses attributable to insured events of current year	5,142,066	5,094,777
Claim and claim adjustment expenses attributable to insured events of prior years	13,301,476	8,365,972
Total payments	18,443,542	13,460,749
Total unpaid claims and claims adjustment expenses	$ 62,170,849	$ 58,900,068
Detail of claim related Liabilities:		
Claims payable	$ 34,626,059	$ 33,597,788
Claims incurred but not reported	23,759,790	22,055,280
Unallocated loss adjustment expenses	3,785,000	3,247,000
Total	$ 62,170,849	$ 58,900,068
Current portion	$ 13,400,000	$ 11,500,000
Non-current portion	48,770,849	47,400,068
Total	$ 62,170,849	$ 58,900,068

NOTE 6 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2023, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
$ 167,483	$ 144,505	$ (162,215)	$ 149,773	$ 52,421	$ 97,352

NOTE 7– OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description		2023
OPEB related deferred outflows	$	394,903
Net OPEB obligation(asset)		373,173
OPEB related deferred inflows		125,269

A. General Information about the OPEB Plan

Plan description
The Authority provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides 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. The Authority entered into an agreement with California Employers' Retiree Benefit Trust (CERBT) to prefund the Authority's OPEB liability.

Employees Covered
As of the June 30, 2022, the measurement date, the following current and former employees were covered by the benefit terms under the plan:

	2023
Inactive plan members or beneficiaries currently receiving benefit payments	4
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	15
Total	19

Funding Policy
The contribution requirements of plan members and the Authority are established and may be amended by the Authority and/or the Authority's Board of Directors. Currently, contributions are not required from plan members. The Authority has been typically funding this OPEB plan on a pay-as-you-go basis; however, recently contributions have been made to an OPEB Trust.

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.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan (continued)

Contributions
Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the Authority and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the Authority. For fiscal year ended June 30, 2022, the measurement period, the Authority's contributions totaling $94,055 included $51,035 placed in its CERBT OPEB Trust, $27,773 in current year premium payments, and an implied subsidy of $15,247.

Accounting for the Plan
The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments
Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

B. Net OPEB Liability
The Authority's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions
The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	6.20%
Long-Term Expected	
Rate of Return on Investments	6.20%
Inflation	2.50%
Payroll increases	3.00% per year
Medical trend rates	5.7% for 2022, decreasing to an ultimate rate of 4.00% in 2076
Mortality	CalPERS 2021 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2022

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

B. Net OPEB Liability (continued)

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Golabl equity	24.00%	7.75%
Fixed income	39.00%	4.29%
TIPS	26.00%	3.50%
Commodities	3.00%	2.84%
REITs	8.00%	5.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.20%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability

The changes in the total OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2022 (Measurement date July 1, 2021)	$ 1,152,522	$ 1,192,957	$ (40,435)
Changes for the year:			
Service cost	77,824	-	77,824
Interest	85,827	-	85,827
Differences in experience	-	-	-
Changes in assumption	180,598	-	180,598
Employer contributions	-	94,055	(94,055)
Net investment income	-	(163,111)	163,111
Benefit payments	(43,020)	(43,020)	-
Administrative expenses	-	(303)	303
Net changes	301,229	(112,379)	413,608
Balance at June 30, 2023 (Measurement date June 30, 2022)	$ 1,453,751	$ 1,080,578	$ 373,173

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Net OPEB Liability (continued)

Changes of Assumptions
As of June 30, 2022, the measurement period, the mortality improvement scale was updated to Scale MP-2022. The Discount rate was also changed to 6.20%.

Change of Benefit Terms
As of June 30, 2022, the measurement period, there were no changes in benefits.

Subsequent Events
There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current discount rate:

	1% Decrease 5.20%	Discount Rate 6.20%	1% Increase 7.20%
Net OPEB Liability	$ 618,914	$ 373,173	$ 174,523

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates
The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

	4.70% Decreasing to 3.0%	Healthcare Cost 5.70% Decreasing to 4.0%	6.70% Decreasing to 5.0%
Net OPEB Liability	$ 162,158	$ 373,173	$ 640,229

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
For the year ended June 30, 2023, the Authority recognized an OPEB expense of $101,942. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made after the measurement date	$ 85,415	$ -
Changes in assumptions	204,371	(7,476)
Differences between expected and actual experience	-	(117,793)
Differences between projected and actual earnings on OPEB plan investments	105,117	-
Total Deferred Outflows/(Inflows) of Resources	$ 394,903	$ (125,269)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)
The differences between projected and actual earnings on plan investments is amortized over five years. The Authority reported $85,415 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 24,803
2025	22,849
2026	16,598
2027	52,943
2028	3,019
Thereafter	64,007
Total	$ 184,219

At June 30, 2023, the Authority had no outstanding amounts of contributions to the OPEB plan required for the year ended June 30, 2023.

NOTE 8 – PENSION PLAN

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2023
Pension related deferred outflows	$ 1,269,295
Net pension liability/(asset)	1,352,678
Pension related deferred inflows	249,248

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

The Plan

The Authority has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.0% to 2.5%
Required member contribution rates	7.000%	6.750%
Required employer contribution rates – FY 2023	10.340%	7.590%

Plan Description

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2021 and June 30, 2020 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

At June 30, 2022 measurement date, the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	Classic Tier 1	PEPRA Tier 2	Total
Active members	5	9	14
Transferred and terminated members	13	12	25
Retired members and beneficiaries	10	-	10
Total plan members	28	21	49

All qualified permanent and probationary employees are eligible to participate in the Authority's cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

NOTE 8 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

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 nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

Contributions
Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Contributions for the year ended June 30, 2023, were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 148,533	$ 86,908	$ 235,441

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

Proportionate Share of Net Pension Liability and Pension Expense
The Authority's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)
The following table shows the Authority's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2022:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	$ 8,698,574	$ 8,832,365	$ (133,791)
Balance as of June 30, 2022 (Measurement Date)	$ 9,875,533	$ 8,522,855	$ 1,352,678
Change in Plan Net Pension Liability	$ 1,176,959	$ (309,510)	$ 1,486,469

The Authority's proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.028908%	-0.007046%	0.035954%
Percentage of Plan Net Pension Liability	0.011711%	-0.002474%	0.014185%

For the fiscal year ended June 30, 2023, the Authority recognized a pension expense of $1,134,388. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 235,441	$ -
Difference between actual and proportionate share of employer contributions	-	(231,054)
Adjustment due to differences in proportions	620,304	-
Differences between expected and actual experience	27,164	(18,194)
Differences between projected and actual earnings on pension plan investments	247,775	-
Changes in assumptions	138,611	-
Total Deferred Outflows/(Inflows) of Resources	$ 1,269,295	$ (249,248)

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)
The deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of $235,441 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 261,673
2025	234,158
2026	137,228
2027	151,547
Total	$ 784,606

Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

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

Asset Class	Assumed Asset	Real Return [1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

[1] An expected inflation of 2.30% is used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

Discount Rate
The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 5.90%**	**Current Discount Rate 6.90%**	**Discount Rate + 1% 7.90%**
CalPERS – Miscellaneous Plan	2,698,891	$ 1,352,678	$ 245,079

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2023, the Authority reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2023.

NOTE 9 – 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, 2023 and 2022. 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 90% confidence level on an undiscounted basis. The balance of the reserve at June 30, 2023 and 2022 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, 2023 and 2022 allocated between various reserve fund accounts (RFA's):

Description	June 30, 2023	June 30, 2022
Special projects for add'l rate stabilization	$ 34,290,469	$ 33,327,594
Longevity distribution fund	2,051,690	2,896,501
Deferred maintenance fund	3,225,969	2,862,037
Rate stabilization	7,078,419	6,382,565
Catastrophic loss fund	2,835,000	2,835,000
Risk margin fund	17,955,153	14,651,466
Investment in capital assets	4,084,503	4,387,966
Total net position	$ 71,521,203	$ 67,343,129

Net Position by program as of June 30, 2023 and 2022 as follows:

Program	June 30, 2023	June 30, 2022
Property/liability	$ 9,661,683	$ 8,717,223
Workers' compensation	59,954,930	58,213,743
Health benefits	2,611,493	2,137,767
Special District Reinsurance Group (SDRG)	(706,903)	(1,725,604)
Total net position	$ 71,521,203	$ 67,343,129

NOTE 10 – 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' liabilities 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 - FY 2023	$ -	$ 2,503,576
F. Condensed financial information		
Audit signed	November 1, 2022	November 18, 2022
Statement of financial position:	**June 30, 2022**	**June 30, 2022**
Total assets	$ 135,850,358	$ 1,053,760,735
Deferred outflows	-	2,000,236
Total liabilities	112,889,040	908,008,660
Deferred inflows	-	3,713,839
Net position	$ 22,961,318	$ 144,038,472
Statement of revenues, expenses and changes in net position:		
Total revenues	$ 13,463,579	$ 1,375,141,319
Total expenses	(18,666,862)	(1,417,457,481)
Change in net position	(5,203,283)	(42,316,162)
Beginning – net position	28,164,601	186,354,634
Ending – net position	$ 22,961,318	$ 144,038,472

NOTE 11 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the Authority participates in a 457 Deferred Compensation Program (Program). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Authority is in compliance with this legislation. Therefore, these assets are not the legal property of the Authority and are not subject to claims of the Authority's general creditors.

The Authority has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the Authority has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The Authority does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 – months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 13 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through November 1, 2023, the date on which the financial statements were available to be issued.

Required Supplementary Information

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.01350%	$ 840,009	$ 1,096,564	76.60%	83.03%
June 30, 2015	0.02151%	50,445	1,300,721	3.88%	79.89%
June 30, 2016	0.38040%	414,814	1,714,191	24.20%	75.87%
June 30, 2017	0.03994%	598,834	1,878,781	31.87%	75.39%
June 30, 2018	0.01503%	566,548	1,908,634	29.68%	77.69%
June 30, 2019	0.01804%	722,588	1,928,127	37.48%	77.73%
June 30, 2020	0.02151%	907,379	2,101,162	43.18%	88.02%
June 30, 2021	-0.00705%	(133,792)	1,901,577	-7.04%	101.54%
June 30, 2022	0.02891%	1,352,678	1,956,173	69.15%	86.30%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:
There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:
There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:
There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90%

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Schedule of the Authority's Contributions to the Defined Benefit Pension Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	$ 103,308	$ (103,308)	$ -	$ 1,096,564	9.42%
June 30, 2016	123,875	(123,875)	-	1,300,721	9.52%
June 30, 2017	127,710	(127,710)	-	1,714,191	7.45%
June 30, 2018	152,685	(152,685)	-	1,878,781	8.13%
June 30, 2019	153,983	(153,983)	-	1,928,127	7.99%
June 30, 2020	170,020	(170,020)	-	1,901,577	8.94%
June 30, 2021	213,959	(213,959)	-	1,878,781	11.39%
June 30, 2022	237,444	(237,444)	-	1,901,577	12.49%
June 30, 2023	235,441	(235,441)	-	1,956,173	12.04%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Market Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Market Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (2%@55 and 2%@60), 52 years (2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first measurement date year of implementation; therefore, only nine years are shown.

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB liability:						
Service cost	$ 77,824	$ 76,696	$ 74,462	$ 76,207	$ 73,808	$ 71,486
Interest	85,827	78,579	70,726	68,924	61,066	53,074
Changes of assumptions	180,598	52,360	-	(13,067)	-	-
Differences between expected and actual experience	-	(62,766)	-	(118,149)	-	-
Changes of benefit terms	-	-	-	70,327	-	-
Benefit payments	(43,020)	(44,787)	(28,842)	(37,402)	(21,275)	(12,925)
Net change in total OPEB liability	301,229	100,082	116,346	46,840	113,599	111,635
Total OPEB liability - beginning	1,152,522	1,052,440	936,094	889,254	775,655	664,020
Total OPEB liability - ending	1,453,751	1,152,522	1,052,440	936,094	889,254	775,655
Plan fiduciary net position:						
Contributions - employer	94,055	91,513	105,774	102,482	109,818	23,450
Net investment income	(163,111)	247,482	27,906	42,629	45,135	52,785
Administrative expense	(303)	(611)	(389)	(147)	(1,035)	(269)
Benefit payments	(43,020)	(44,787)	(28,842)	(37,402)	(21,275)	(12,925)
Net change in plan fiduciary net position	(112,379)	293,597	104,449	107,562	132,643	63,041
Plan fiduciary net position - beginning	1,192,957	899,360	794,911	687,349	554,706	491,665
Plan fiduciary net position - ending	1,080,578	1,192,957	899,360	794,911	687,349	554,706
District's net OPEB liability	$ 373,173	$ (40,435)	$ 153,080	$ 141,183	$ 201,905	$ 220,949
Plan fiduciary net position as a percentage of the total OPEB liability	74.33%	103.51%	85.45%	84.92%	77.30%	71.51%
Covered-employee payroll	2,108,259	1,901,577	2,101,162	1,928,127	1,928,127	1,878,781
District's net OPEB liability as a percentage of covered-employee payroll	17.70%	-2.13%	7.29%	7.32%	10.47%	11.76%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2017 – There were no changes in benefits
Measurement Date June 30, 2018 – There were no changes in benefits
Measurement Date June 30, 2019 – There were changes in benefits
Measurement Date June 30, 2020 – There were no changes in benefits
Measurement Date June 30, 2021 – There were no changes in benefits
Measurement Date June 30, 2022 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions
Measurement Date June 30, 2018 – There were no changes in assumptions
Measurement Date June 30, 2019 – Mortality improvement scale was updated to Scale MP-2019
Measurement Date June 30, 2020 – There were no changes in assumptions
Measurement Date June 30, 2021 – Mortality improvement scale was updated to Scale MP-2021
Measurement Date June 30, 2022 – The interest rate assumption changed to 6.20% from 7.1%.
Mortality improvement scale was updated to Scale MP-2022

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

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	$ 85,415	$ 94,055	$ 94,055	$ 105,774	$ 102,482	$ 99,293
Contributions in relation to the actuarially determined contributions	(85,415)	(94,055)	(94,055)	(105,774)	(102,482)	(109,818)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ (10,525)
Covered payroll	$ 2,205,016	$ 1,959,000	$ 2,108,259	$ 2,101,162	$ 1,928,127	$ 1,878,781
Contributions as a percentage of covered payroll	3.87%	4.80%	4.46%	5.03%	5.32%	5.85%

Notes to Schedule:

Valuation Date	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:						
Actuarial cost method Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method Closed period, level percent of pay	(1)	(1)	(1)	(1)	(1)	(1)
Amortization period	9.98-years	12.4-years	13.4-years	15.1-years	20-years	20-years
Asset valuation method	5-year rolling	5-year rolling	5-year rolling	5-year rolling	5-year rolling	5-year rolling
Discount rate	6.20%	7.10%	7.10%	7.10%	7.28%	7.28%
Inflation	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%
Medical trend rates	(2)	(2)	(2)	(2)	(2)	(2)
Mortality	(3)	(3)	(3)	(3)	(3)	(3)
Mortality improvement	(4)	(4)	(4)	(4)	(4)	(4)

(1) Closed period, level percent of pay
(2) Non-medicare - 5.70% for 2021, decreasing to an ultimate rate of 4.0 in 2076
(3) CalPERS 2021Experience Study
(4) Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2022

* Fiscal year 2018 was the first year of implementation; therefore, only six years shown.

Supplementary Information

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Schedule of Balance Sheets – Combined – Internal Funds

June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Property/ Liability	Workers' Compensation	Health Benefits	Captive	Eliminating Entries	2023
Current assets:						
Cash and cash equivalents	$ 7,215,871	$ 6,159,730	$ 1,860,995	$ 1,055,958	$ -	$ 16,292,554
Accrued interest receivable	77,559	281,464	-	-	-	359,023
Accounts receivable	3,160,675	2,512,913	424,095	-	-	6,097,683
Interfund receivable	-	4,983,944	-	-	(4,983,944)	-
Prepaid expenses	5,777	3,942	3,405,773	7,520	-	3,423,012
Total current assets	10,459,882	13,941,993	5,690,863	1,063,478	(4,983,944)	26,172,272
Non-current assets:						
Investments	17,510,968	69,984,519	-	28,822,731	-	116,318,218
Investment it captive	-	8,833,000	-	-	(8,833,000)	-
Net OPEB asset	-	-	-	-	-	-
Net pension asset	-	-	-	-	-	-
Capital assets – not being depreciated	456,998	456,999	38,600	-	-	952,597
Capital assets – being depreciated, net	684,311	2,396,987	50,608	-	-	3,131,906
Total non-current assets	18,652,277	81,671,505	89,208	28,822,731	(8,833,000)	120,402,721
Total assets	29,112,159	95,613,498	5,780,071	29,886,209	(13,816,944)	146,574,993
Deferred outflows of resources:						
Deferred amounts related to net OPEB liability	217,196	138,217	39,490	-	-	394,903
Deferred amounts related to net pension liability	698,112	444,253	126,930	-	-	1,269,295
Total deferred outflows of resources	915,308	582,470	166,420	-	-	1,664,198
Total assets and deferred outflows of resources	$ 30,027,467	$ 96,195,968	$ 5,946,491	$ 29,886,209	(13,816,944)	$ 148,239,191
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION						
Current liabilities:						
Accounts payable and accrued expenses	$ 141,007	$ 1,190,975	$ 18,242	$ 31,363	$ -	$ 1,381,587
Accrued salaries and benefits	119,657	76,145	21,756	-		217,558
Member payable	-	2,051,690	-	-	-	2,051,690
Unearned contributions	1,622,736	4,088,237	3,084,963	-	-	8,795,936
Interfund payable	-	-	-	4,983,944	(4,983,944)	-
Long-term liabilities – due within one year:						
Claim-related payable	3,500,000	6,500,000	-	-	-	10,000,000
Compensated absences	-	-	-	-	-	-
Total current liabilities	5,383,400	13,907,047	3,124,961	5,015,307	(4,983,944)	22,446,771
Non-current liabilities:						
Long-term liabilities – due in more than one year:						
Claim-related payable	13,827,182	21,598,862	-	16,744,805	-	52,170,849
Compensated absences	-	-	-	-	-	-
Net OPEB liability	205,245	130,611	37,317	-	-	373,173
Net pension liability	743,973	473,437	135,268	-	-	1,352,678
Total non-current liabilities	14,776,400	22,202,910	172,585	16,744,805	-	53,896,700
Total liabilities	20,159,800	36,109,957	3,297,546	21,760,112	(4,983,944)	76,343,471
Deferred inflows of resources:						
Deferred amounts related to net OPEB obligation	68,898	43,844	12,527	-	-	125,269
Deferred amounts related to net pension liability	137,086	87,237	24,925	-	-	249,248
Total deferred inflows of resources	205,984	131,081	37,452	-	-	374,517
Net position:						
Contributed capital	-	-	-	8,833,000	(8,833,000)	-
Investment in capital assets	1,141,309	2,853,986	89,208	-	-	4,084,503
Unrestricted	8,520,374	57,100,944	2,522,285	(706,903)	-	67,436,700
Total net position	9,661,683	59,954,930	2,611,493	8,126,097	(8,833,000)	71,521,203
Total liabilities, deferred inflows of resources and net position	$ 30,027,467	$ 96,195,968	$ 5,946,491	$ 29,886,209	(13,816,944)	$ 148,239,191

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position – Combined – Internal Funds
For the Year Ended June 30, 2023

	Property/ Liability	Workers' Compensation	Health Benefits	Captive	Eliminating Entries	2023
Operating revenues:						
Members' contributions	$ 39,112,718	$ 18,809,103	$ -	$ 11,620,000	$(11,620,000)	$ 57,921,821
Health benefits premium	-	-	40,050,055	-	-	40,050,055
Dividend income	-	-	-	-	-	-
Other operating revenues	16,800	28,270	1,526	-	-	46,596
Total operating revenues	39,129,518	18,837,373	40,051,581	11,620,000	(11,620,000)	98,018,472
Operating expenses:						
Claims expense	9,983,627	(744,393)	-	12,475,089	-	21,714,323
Insurance expense	24,630,840	14,197,030	-	-	(11,620,000)	27,207,870
Health insurance expense	-	-	38,879,531	-	-	38,879,531
Contract services and CSDA fees	590,423	1,738,112	47,092	-	-	2,375,627
Salaries and benefits	2,256,544	1,413,328	432,932	-	-	4,102,804
General and administrative	890,864	558,710	162,407	154,904	-	1,766,885
Dividends expense	-	-	-	-	-	-
Total operating expenses	38,352,298	17,162,787	39,521,962	12,629,993	(11,620,000)	96,047,040
Operating income(loss) before depreciation	777,220	1,674,586	529,619	(1,009,993)	-	1,971,432
Depreciation expense	(244,995)	(201,338)	(67,457)	-	-	(513,790)
Operating income(loss)	532,225	1,473,248	462,162	(1,009,993)	-	1,457,642
Non-operating revenues(expenses):						
Rental revenue	180,481	196,615	-	-	-	377,096
Rental expense	(73,154)	(72,387)	-	-	-	(145,541)
Investment earnings	304,908	143,711	11,564	2,028,694	-	2,488,877
Total non-operating revenues(expenses), net	412,235	267,939	11,564	2,028,694	-	2,720,432
Change in net position	944,460	1,741,187	473,726	1,018,701	-	4,178,074
Net position:						
Beginning of year	8,717,223	58,213,743	2,137,767	7,107,396	(8,833,000)	67,343,129
End of year	$ 9,661,683	$ 59,954,930	$ 2,611,493	$ 8,126,097	$ (8,833,000)	$ 71,521,203

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Reconciliation of Claims Liabilities by Type of Contract

For the Fiscal Years Ended June 30, 2023 and 2022

	Property/Liability		Workers' Compensation - Tail		Workers' Compensation - Captive		Totals	
	2023	2022	2023	2022	2023	2022	2023	2022
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	$ 17,150,150	$ 16,646,009	$ 32,588,485	$ 41,319,951	$ 9,161,433	$ -	$ 58,900,068	$ 57,965,960
Incurred Claims and Claim Adjustment Expenses:								
Provision for Insured Events of the Current Year	7,717,000	8,093,000	-	-	12,872,000	10,520,000	20,589,000	18,613,000
Increase (Decrease) in Provision of Insured Events of Prior Years	2,247,627	(679,421)	(1,263,393)	(3,847,721)	(396,911)	-	587,323	(4,527,142)
Changes in Unallocated Loss Adjustment Expense (ULAE)	19,000	(34,000)	519,000	343,000	-	-	538,000	309,000
Total Incurred Claims and Claim Adjustment Expenses	9,983,627	7,379,579	(744,393)	(3,504,721)	12,475,089	10,520,000	21,714,323	14,394,858
Payments:								
Claim and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	2,807,328	1,457,725	-	2,278,485	2,334,738	1,358,567	5,142,066	5,094,777
Claim and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	6,999,267	5,417,713	3,745,230	2,948,260	2,556,979	-	13,301,475	8,365,973
Total Payments	9,806,595	6,875,438	3,745,230	5,226,745	4,891,717	1,358,567	18,443,542	13,460,750
Total Unpaid Claims and Claims Adjustment Expenses	$ 17,327,182	$ 17,150,150	$ 28,098,862	$ 32,588,485	$ 16,744,805	$ 9,161,433	$ 62,170,849	$ 58,900,068
Detail of Claim Related Liabilities:								
Claims Payable	$ 7,469,232	$ 6,047,706	$ 18,983,486	$ 18,388,649	$ 8,173,340	$ 3,036,727	$ 34,626,059	$ 27,473,082
Claims Incurred but Not Reported	8,679,950	9,943,444	6,508,376	12,111,836	8,571,465	6,124,706	23,759,791	28,179,986
Unallocated Loss Adjustment Expenses	1,178,000	1,159,000	2,607,000	2,088,000	-	-	3,785,000	3,247,000
Totals	$ 17,327,182	$ 17,150,150	$ 28,098,862	$ 32,588,485	$ 16,744,805	$ 9,161,433	$ 62,170,849	$ 58,900,068
Current Portion	$ 4,700,000	$ 3,500,000	$ 3,700,000	$ 6,500,000	$ 5,000,000	$ 1,500,000	$ 13,400,000	$ 11,500,000
Long-Term Portion	12,627,182	13,650,150	24,398,862	26,088,485	11,744,805	7,661,433	48,770,849	47,400,068
Totals	$ 17,327,182	$ 17,150,150	$ 28,098,862	$ 32,588,485	$ 16,744,805	$ 9,161,433	$ 62,170,849	$ 58,900,068

Other Information

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

Claims Development Information – Property/Liability Program (Unaudited)
For the Fiscal Years Ended June 30, 2014 to 2023

	Fiscal and Policy Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Required Contribution and										
Investment Revenue	$ 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	$ 35,894,057
Ceded	6,975,394	9,326,880	10,135,863	10,931,640	11,805,330	12,506,201	14,187,934	15,064,719	21,077,661	22,054,215
(1) Net Earned Required Contribution										
and Investment Revenues	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	13,839,842
(2) Unallocated Expenses	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	3,323,044
(3) Estimated Incurred Claims and Expense										
End of Year	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	32,347,840
Ceded	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	24,630,840
Net Incurred	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	7,717,000
(4) Paid (Cumulative)										
End of Year	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	2,807,328
One Year Later	2,676,452	3,143,459	3,552,173	3,569,437	4,361,185	3,859,698	2,769,771	2,626,873	2,070,510	
Two Years Later	3,724,339	4,099,227	4,887,668	4,810,567	5,244,797	5,705,372	5,599,933	4,232,483		
Three Years Later	5,355,807	4,392,076	4,981,616	4,993,354	7,273,961	6,760,812	6,909,791			
Four Years Later	5,559,096	4,392,076	4,983,306	4,949,988	7,225,710	9,090,418				
Five Years Later	5,554,821	4,392,076	5,405,809	4,765,245	7,895,006					
Six Years Later	5,554,572	4,455,234	5,940,299	7,508,252						
Seven Years Later	5,551,398	4,414,124	3,237,559							
Eight Years Later	5,550,888	4,505,792								
Nine Years Later	5,463,254									
(5) Reestimated Ceded Claims and Expenses	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	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	7,717,000
One Year Later	5,582,495	4,595,243	4,775,344	4,850,349	5,580,536	7,635,000	8,441,000	7,146,093	7,918,461	
Two Years Later	5,507,456	4,928,896	4,887,668	5,408,497	7,372,567	7,422,680	7,840,991	6,883,390		
Three Years Later	5,828,359	4,455,560	4,981,616	5,188,724	7,365,757	7,739,820	7,733,604			
Four Years Later	5,559,096	4,673,187	5,692,019	5,089,219	7,423,043	9,090,418				
Five Years Later	5,613,988	4,462,187	5,891,060	4,765,245	7,895,006					
Six Years Later	5,554,572	4,562,040	5,940,299	7,508,252						
Seven Years Later	5,551,398	4,490,800	4,570,732							
Eight Years Later	5,550,888	4,505,792								
Nine Years Later	5,473,867									
(7) Increase (Decrease) in Estimated										
Incurred Claims Expense from										
End of Policy Year*	($ 709,133)	($ 754,208)	$ 43,482	$ 1,570,252	$ 2,340,006	$ 2,541,579	($ 827,396)	($ 1,402,944)	$ (174,539)	$ -

*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 (Unaudited)
For the Fiscal Years Ended June 30, 2014 to 2023

	Fiscal and Policy Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Required Contribution and										
Investment Revenue	$ 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	$ 17,530,215
Ceded	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	15,432,392
(1) Net Earned Required Contribution										
and Investment Revenues	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)	2,097,823
(2) Unallocated Expenses	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	6,568,000
(3) Estimated Incurred Claims and Expense										
End of Year	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	25,408,726
Ceded	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	14,197,030
Net Incurred	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	12,872,000
(4) Paid (Cumulative)										
End of Year	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	2,334,738
One Year Later	4,101,125	4,060,799	5,838,725	3,942,526	3,609,650	4,085,551	3,280,467	4,550,310	4,401,456	
Two Years Later	5,561,420	5,318,221	8,390,954	5,506,618	5,006,074	5,429,638	4,425,837	6,007,649		
Three Years Later	6,242,806	6,425,333	9,701,825	6,804,124	6,304,948	6,276,033	5,238,879			
Four Years Later	6,799,920	7,084,511	10,416,920	7,561,212	6,708,371	7,185,211				
Five Years Later	7,116,149	7,509,844	10,767,436	7,915,969	7,344,778					
Six Years Later	7,432,371	7,665,702	11,159,609	8,171,198						
Seven Years Later	7,498,274	7,713,551	11,398,036							
Eight Years Later	7,459,005	7,738,807								
Nine Years Later	8,542,188									
(5) Reestimated Ceded Claims and Expenses	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	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	12,872,000
One Year Later	11,182,000	12,726,000	14,303,000	12,787,000	11,427,000	11,152,000	10,286,000	11,784,000	10,609,000	
Two Years Later	10,383,000	10,724,000	13,964,000	12,179,000	11,026,000	10,859,000	9,667,000	11,944,000		
Three Years Later	9,754,000	9,965,000	13,506,000	11,120,000	10,416,000	10,322,000	9,500,000			
Four Years Later	8,631,000	10,032,000	13,369,000	10,767,000	9,941,000	10,398,000				
Five Years Later	8,860,000	9,646,000	12,894,000	10,660,000	9,939,000					
Six Years Later	8,604,000	9,033,000	12,627,000	10,823,000						
Seven Years Later	8,466,000	8,662,000	12,511,563							
Eight Years Later	8,097,000	8,676,000								
Nine Years Later	8,005,000									
(7) Increase (Decrease) in Estimated										
Incurred Claims Expense from										
End of Policy Year	$ (2,638,000)	$ (5,224,000)	$ (1,189,437)	$ (4,549,000)	$ (2,530,000)	$ (1,944,000)	$ (1,089,000)	$ (18,000)	$ 89,000	$ -

Other Independent Auditors' Reports

NIGRO & NIGRO PC
A Professional Accountancy Corporation

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

Board of Directors
Special District Risk Management Authority
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the Special District Risk Management Authority (Authority), which comprise the balance sheet as of June 30, 2023, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 1, 2023.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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

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

Nigro & Nigro, PC

Murrieta, California
November 1, 2023