



Financial Statements  
June 30, 2020 and 2019

# Western Orange County Self-Funded Workers' Compensation Agency

Western Orange County Self-Funded Workers' Compensation Agency

Costa Mesa, California

Board of Directors

June 30, 2020

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Ocean View School District

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# Western Orange County Self-Funded Workers' Compensation Agency

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June 30, 2020 and 2019

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## Independent Auditor's Report

The Board of Directors  
Western Orange County Self-Funded Workers' Compensation Agency  
Costa Mesa, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Western Orange County Self-Funded Workers' Compensation Agency (WOCS-FWCA) which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the WOCS-FWCA as of June 30, 2020 and 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the ten-year claims development information on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of premiums earned and results of operations by year since inception is presented for purposes of additional analysis and is not a required part of the financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the WOCS-FWCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WOCS-FWCA'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 WOCS-FWCA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 14, 2020

# *Western Orange County Self-Funded Workers' Compensation Agency*

## **BOARD OF DIRECTORS**

President  
Barbara Ott  
Brea Olinda Unified SD  
(714) 990-7827

Vice President  
Jeff Dixon  
Laguna Beach Unified SD  
(949) 497-7700 x5222

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Ann Kantor  
Orange County DOE  
(714) 966-4059

MEMBER  
Felix Avila  
Ocean View SD  
(714) 847-2551 x1410

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

Since 1979, Western Orange County Self-Funded Workers' Compensation Agency (WOCS-FWCA), a self-insurance pool, has provided coverage to local educational agencies in California. WOCS-FWCA operates programs for workers' compensation. In addition to its programs, WOCS-FWCA provides claims administration and loss control training to its members.

WOCS-FWCA is governed by a four-member Board of Directors comprised of representatives from Brea Olinda Unified School District, Laguna Beach Unified School District, Ocean View School District, and Orange County Department of Education. From its members, the Board of Directors elects a President, Vice President, and Secretary-Treasurer.

The Secretary-Treasurer is responsible for the administration of policies as set forth by the pool's organizational documents, bylaws, and the Board of Directors.

## **DESCRIPTION OF BASIC FINANCIAL STATEMENTS**

Individual program accounting is maintained in-house and is provided as supplemental information to the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. The Statements of Net Position provides information about the combined financial position of WOCS-FWCA as of June 30, 2020 and 2019. The Statements of Revenues, Expenses, and Changes in Net Position reports the operations of WOCS-FWCA for the years ended June 30, 2020 and 2019. The Statements of Cash Flows are presented on the direct method to reflect the operations of WOCS-FWCA for the years ended June 30, 2020 and 2018, based strictly on the inflow and outflow of cash.

The footnotes provide information on unique accounting policies of WOCS-FWCA such as development of estimates of incurred but not reported liabilities and the provision for unallocated loss adjustment expenses. There were no significant accounting changes during the fiscal year

Western Orange County Self-Funded Workers' Compensation Agency  
Management's Discussion and Analysis  
June 30, 2020 and 2019

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**CONDENSED FINANCIAL INFORMATION**

**Statements of Net Position  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Assets		
Current assets	\$ 19,656,315	\$ 20,422,925
Liabilities		
Current liabilities	2,571,227	3,002,470
Unpaid claims and assessments	9,285,354	8,515,692
Total liabilities	11,856,581	11,518,162
Net Position	\$ 7,799,734	\$ 8,904,763

**Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2020 and 2019**

	2020	2019
Operating Revenue		
Member contributions	\$ 3,826,482	\$ 3,445,873
Other income	5,721	332
Total operating revenue	3,832,203	3,446,205
Operating Expenses		
Claims paid, net of recoveries	1,959,991	2,240,360
Provision (credit) for claims liability	597,448	(399,804)
Excess insurance premium	265,252	276,186
Contract services/administrative expenses	342,510	363,125
Safety credit program	112,855	102,561
Total operating expenses	3,278,056	2,582,428
Nonoperating Income (Expense)		
Interest income	369,140	400,489
Equity distributions	(2,028,316)	-
Total nonoperating income (expense)	(1,659,176)	400,489
Change in Net Position	(1,105,029)	1,264,266
Total Net Position, Beginning of Year	8,904,763	7,640,497
Total Net Position, End of Year	\$ 7,799,734	\$ 8,904,763



Western Orange County Self-Funded Workers' Compensation Agency  
 Management's Discussion and Analysis  
 June 30, 2020 and 2019

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**ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

While the assets of WOCS-FWCA decreased by approximately \$766,610 from June 30, 2019 to June 30, 2020, net position decreased by \$1,105,029 for the same period.

The decrease in current assets of \$766,610 from June 30, 2019 to June 30, 2020, is due to a decrease in cash and cash equivalents.

Total liabilities increased by approximately \$338,419 from June 30, 2019 to June 30, 2020. The largest increase in liabilities was due to an increase in claims liabilities.

Member contributions for the workers' compensation program increased by \$380,609 for the year ended June 30, 2020, primarily due to an increase in payroll contributions and also the use of the expected confidence level.

**ANALYSIS OF SIGNIFICANT VARIATION BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS**

**Workers' Compensation Program  
 For the Year Ended June 30, 2020**

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
<b>Revenue</b>					
Member contributions	\$ 3,766,499	\$ 3,766,499	0%	\$ 3,826,482	2%
Interest income	444,000	444,000	0%	369,140	-17%
Other income	-	-	0%	5,721	-
<b>Total revenue</b>	<b>4,210,499</b>	<b>4,210,499</b>	<b>0%</b>	<b>4,201,343</b>	<b>0%</b>
<b>Expenditures</b>					
Claims paid	2,400,000	2,400,000	0%	1,959,991	18%
Credit for loss reserves	-	-	0%	597,448	-
Claims processing	250,000	250,000	0%	226,073	10%
Excess insurance	292,000	292,000	0%	265,252	9%
SELF assessment	188,770	188,770	0%	-	100%
Administration	160,500	160,500	0%	116,437	27%
Safety credits	112,995	112,995	0%	112,855	0%
Equity distributions	-	-	0%	2,028,316	-
<b>Total expenditures</b>	<b>3,404,265</b>	<b>3,404,265</b>	<b>0%</b>	<b>5,306,372</b>	<b>-56%</b>
<b>Net Change in Net Position</b>	<b>\$ 806,234</b>	<b>\$ 806,234</b>	<b>0%</b>	<b>\$ (1,105,029)</b>	

The difference between the actual versus final budget was primarily due to the budgeted amount for provision payment of claims was over budgeted.

Western Orange County Self-Funded Workers' Compensation Agency

Management's Discussion and Analysis

June 30, 2020 and 2019

**Workers' Compensation Program  
For the Year Ended June 30, 2019**

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
<b>Revenue</b>					
Member contributions	\$ 3,418,687	\$ 3,418,687	0%	\$ 3,445,873	1%
Interest income	275,000	275,000	0%	400,489	46%
Other income	-	-	0%	332	-
	<u>3,693,687</u>	<u>3,693,687</u>		<u>3,846,694</u>	
Total revenue			0%		4%
<b>Expenditures</b>					
Claims paid	3,000,000	3,000,000	0%	2,240,360	25%
Credit for loss reserves	-	-	0%	(399,804)	-
Claims processing	251,000	251,000	0%	246,238	2%
Excess insurance	292,000	292,000	0%	276,186	5%
SELF assessment	188,770	188,770	0%	-	100%
Administration	158,000	158,000	0%	116,887	26%
Safety credits	102,561	102,561	0%	102,561	0%
	<u>3,992,331</u>	<u>3,992,331</u>		<u>2,582,428</u>	
Total expenditures			0%		35%
Net Change in Net Position	<u>\$ (298,644)</u>	<u>\$ (298,644)</u>	0%	<u>\$ 1,264,266</u>	

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the WOCS-FWCA finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Western Orange County Self-Funded Workers' Compensation Agency, Attention: Ann Kantor, 200 Kalmus Drive, Costa Mesa, California, 92626.

## Western Orange County Self-Funded Workers' Compensation Agency

Statement of Net Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Deposits and investments	\$ 19,300,576	\$ 20,323,454
Accounts receivable	79,210	99,471
Prepaid expense	276,529	-
	19,656,315	20,422,925
Total assets		
Liabilities		
Current liabilities		
Accounts payable	22,441	92,684
Current portion of SELF assessment	188,786	188,786
Current portion of unpaid claims and claim adjustment expenses	2,360,000	2,721,000
	2,571,227	3,002,470
Total current liabilities		
Non-current portion of SELF assessment	377,592	566,378
Unpaid claims and claim adjustment expenses, non-current portion	8,907,762	7,949,314
	11,856,581	11,518,162
Total liabilities		
Net Position - Unrestricted	\$ 7,799,734	\$ 8,904,763

Western Orange County Self-Funded Workers' Compensation Agency  
 Statements of Revenues, Expenses, and Changes in the Net Position  
 Years Ended June 30, 2020 and 2019

	2020	2019
Operating Income		
Member contributions	\$ 3,826,482	\$ 3,445,873
Other income	5,721	332
Total operating income	3,832,203	3,446,205
Operating Expenses		
Excess insurance premium	265,252	276,186
Claims paid, net of recoveries of \$185,484 in 2020 and \$234,009 in 2019	1,959,991	2,240,360
Provision (credit) for claims liability	597,448	(399,804)
Claims administration	226,073	246,238
Other administrative costs	48,451	44,054
Safety credit program	112,855	102,561
State fee	67,986	72,833
Total operating expenses	3,278,056	2,582,428
Operating Income	554,147	863,777
Non-Operating Income (Expense)		
Investment income, net of fees of \$11,434 in 2020 and \$11,845 in 2019	369,140	400,489
Equity distributions	(2,028,316)	-
Total non-operating income (expense)	(1,659,176)	400,489
Change in Net Position	(1,105,029)	1,264,266
Net Position, Beginning of Year	8,904,763	7,640,497
Net Position, End of Year	\$ 7,799,734	\$ 8,904,763

# Western Orange County Self-Funded Workers' Compensation Agency

## Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from members and others	\$ 3,774,621	\$ 3,300,444
Cash paid for claims and settlements	(1,972,335)	(2,369,936)
Cash paid for excess insurance	(265,252)	(276,186)
Cash paid to SELF for assessments	(188,786)	(188,786)
Cash paid to suppliers for goods and services	(731,894)	(464,406)
Net cash provided by operating activities	616,354	1,130
Cash Flows from Investing Activities		
Interest income	389,084	388,011
Cash Flows from Financing Activities		
Equity distributions	(2,028,316)	-
Net Change in Cash and Cash Equivalents	(1,022,878)	389,141
Cash and Cash Equivalents, Beginning of Year	20,323,454	19,934,313
Cash and Cash Equivalents, End of Year	\$ 19,300,576	\$ 20,323,454
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 554,147	\$ 863,777
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	317	(26,171)
(Increase) in prepaid expense	(276,529)	-
Decrease in accounts payable	(70,243)	(247,886)
Decrease in amount SELF assessment liability	(188,786)	(188,786)
Increase (decrease) in claims liability	597,448	(399,804)
Total adjustments	62,207	(862,647)
Net cash provided by operating activities	\$ 616,354	\$ 1,130

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Western Orange County Self-Funded Workers' Compensation Agency (WOCS-FWCA) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

**Financial Reporting Entity**

The Western Orange County Self-Funded Workers' Compensation Agency was formed and became operational on July 1, 1979, when the Brea Olinda Unified School District, Huntington Beach City School District, Laguna Beach Unified School District, and Ocean View School District joined together under the California Government Code to create a public agency. The Orange County Department of Education became a member of WOCS-FWCA on July 1, 1980. Effective July 1, 2011, Huntington Beach City School District withdrew as a member of WOCS-FWCA. The purpose of WOCS-FWCA is to provide its members the necessary workers' compensation coverage as presented by the laws of the State of California.

WOCS-FWCA functions as a pool for its respective members. Each member of WOCS-FWCA shall be liable for its pro-rata share of all debts and liabilities of WOCS-FWCA and its pro-rata share of all debts and liabilities for workers' compensation claims against WOCS-FWCA arising out of facts occurring while a member of WOCS-FWCA. A member's pro-rata share shall be determined based upon that member's premium in proportion to the total premiums paid by all participating members in WOCS-FWCA.

The annual deposit premium for each member is calculated based upon factors normally used to calculate annual insurance premiums. Prior years' premiums will be recalculated and adjusted until all claims are closed or until determined that sufficient facts are known so that no additional calculations should be made.

In the event of the dissolution of WOCS-FWCA, the participating members would receive a pro-rata share of any fund equity or be liable for a pro-rata share of any debts and liabilities based upon the premiums and claims of such members.

WOCS-FWCA includes all funds and account groups that are controlled by or dependent on WOCS-FWCA's governing board for financial reporting purposes. WOCS-FWCA has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. WOCS-FWCA determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

**Basis of Accounting**

The accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with Governmental Generally Accepted Accounting Principles. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. Operating revenues include member contributions net of any applicable rate credits. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium rebates, and general and administrative expenses. All other revenues and expenses are considered non-operating.

### **Accounts Receivable**

Accounts receivable generally includes investment earnings from deposits with the county treasury, member contributions and insurance recoveries. Management has analyzed these accounts and believes all amounts are fully collectible.

### **Budget and Budgetary Accounting**

Annually, the Board of Directors adopts a budget that is subject to amendment throughout the year to give consideration to unanticipated revenue and expenses primarily resulting from events unknown at the time of budget adoption.

### **Statement of Cash Flows**

For purposes of the Statement of Cash Flows, WOCS-FWCA considers deposits with the County Treasury and cash used to pay claims in the trust revolving account to be cash equivalents.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 expenses during the reporting period. Actual results could differ from those estimates.

### **Member Contributions**

Each member's contribution is determined based upon each member's annual payroll multiplied by the approved contribution rate and experience modification factor. The rates for each member are determined based on each member's loss history, unusual exposures, and other pertinent information. Annually the members are billed or credited depending on an increase or decrease in final payroll versus the estimate that was provided during the previous year and the adjustment is included in accounts receivable or accounts payable.

### **Safety Credits**

Annually the Board authorizes a safety credit fund to be established for each member. Safety credit funds are to be utilized in areas which would reduce the severity and/or frequency of losses. Safety credit funds must be utilized prior to the end of each fiscal year.

### **Return of Net Position/Equity Distribution**

Amounts in excess of WOCS-FWCA's Capital Target are available for potential return to the Members and can be utilized at the member's discretion towards future member contributions or they may request a refund. Return of net position shall not include any surplus funds from the past five years and the current year. Capital Targets are set and approved by the Board.

# Western Orange County Self-Funded Workers' Compensation Agency

Notes to Financial Statements

June 30, 2020 and 2019

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## Claims Liabilities

WOCS-FWCA establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims administrative costs) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and 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. Claims liabilities are 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 reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

## Excess Insurance

WOCS-FWCA uses excess insurance agreements to reduce its exposure to large losses. Excess insurance permits recovery of a portion of losses from excess insurance carriers, although it does not discharge the primary liability of WOCS-FWCA as direct insurer of the risks insured. WOCS-FWCA does not report excess insurance risks as liabilities unless it is probable that those risks will not be covered by excess insurance carriers.

## Income Taxes

WOCS-FWCA's income is exempt from Federal and State income taxes under Internal Revenue Code Section 115 and the corresponding section of the California Revenue and Taxation Code.

## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Investment	\$ 18,900,576	\$ 19,923,454
Trust Revolving Account	<u>400,000</u>	<u>400,000</u>
Total deposits and investments	<u>\$ 19,300,576</u>	<u>\$ 20,323,454</u>



### **Policies and Practices**

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

### **Investment in County Treasury**

WOCS-FWCA is considered to be an involuntary participant in an external investment pool as WOCS-FWCA is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of WOCS-FWCA's investment in the pool is reported in the accounting financial statements at amounts based upon WOCS-FWCA's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The Investment in County Treasury of \$18,900,576 has an average weighted maturity of 266 days.

### **Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, WOCS-FWCA's deposits may not be returned to it. WOCS-FWCA does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020 and 2019, WOCS-FWCA's bank balance of \$141,698 and \$168,637, respectively, were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of WOCS-FWCA.

# Western Orange County Self-Funded Workers' Compensation Agency

Notes to Financial Statements

June 30, 2020 and 2019

### Note 3 - Accounts Receivable

Accounts receivable at June 30, 2020 and 2019, consisted of the following:

	2020	2019
Member contributions	\$ 59,984	\$ 60,300
Interest income	19,226	39,171
Total accounts receivable	\$ 79,210	\$ 99,471

### Note 4 - Accounts Payable

Accounts payable at June 30, 2020 and 2019, consisted of the following:

	2020	2019
Trust account reimbursement	\$ 43,958	\$ 56,302
County administration fee	-	1,008
Member contributions	-	33,114
Trade accounts	(21,517)	2,260
Total accounts payable	\$ 22,441	\$ 92,684

### Note 5 - Unpaid Claims Liabilities

As discussed in Note 1, WOCS-FWCA establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for WOCS-FWCA during the years ended June 30, 2020 and 2019:

	2020	2019
Claims Liabilities at Beginning of Fiscal Year	\$ 9,670,314	\$ 10,070,118
Incurred Expenses Related to		
Insured events of the current fiscal year	2,968,350	2,771,254
Insured events of prior fiscal years	(410,911)	(930,698)
Total incurred expenses	2,557,439	1,840,556
Payments Related to		
Insured events of the current fiscal year	544,761	568,328
Insured events of prior fiscal years	1,415,230	1,672,032
Total payments	1,959,991	2,240,360
Claims Liabilities at End of Fiscal Year	\$ 10,267,762	\$ 9,670,314

# Western Orange County Self-Funded Workers' Compensation Agency

Notes to Financial Statements

June 30, 2020 and 2019

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

	2020	2019
Claims Liability	\$ 10,267,762	\$ 9,670,314
Unallocated Loss Adjustment Expenses	1,000,000	1,000,000
	11,267,762	10,670,314
Current Portion	(2,360,000)	(2,721,000)
Non-Current Portion	\$ 8,907,762	\$ 7,949,314

## Note 6 - Participation in Public Entity Risk Pool

WOCS-FWCA is a member of Schools Excess Liability Fund (SELF) public entity risk pool. The relationship between WOCS-FWCA and SELF is such that SELF is not a component unit of WOCS-FWCA for financial reporting purposes.

SELF has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between SELF and WOCS-FWCA are included in these statements.

A. Entity	Schools Excess Liability Fund (SELF)	
B. Purpose	Arranges for excess workers' compensation and liability insurance	
C. Participants	Various public educational agencies throughout California	
D. Governing board	Representatives from each member district	
E. Payments made in the current year		\$ 188,786

Due to deficits incurred primarily in fiscal years 1989-1990 through 2004-2005, a deficit recoupment plan has been established whereby members have been assessed additional contributions. Repayment requirements for WOCS-FWCA currently are scheduled at \$188,786 per year through 2022-2023. The reconciliation of the SELF assessment for 2019-2020 is as follows:

Estimated balance from prior year	\$ 755,164
Paid during the current year	(188,786)
	566,378
Less: Current portion	(188,786)
Non-current portion	\$ 377,592

**Note 7 - Subsequent Events**

Subsequent to year-end, WOCS-FWCA has been impacted by the effects of the world-wide coronavirus pandemic. WOCS-FWCA is closely monitoring its operations and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, WOCS-FWCA's management does not expect the pandemic to have a significant impact on operations and reserves.



Required Supplementary Information  
June 30, 2020

# Western Orange County Self-Funded Workers' Compensation Agency

# Western Orange County Self-Funded Workers' Compensation Agency

Claims Development Information

June 30, 2020

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The following table illustrates how WOCS-FWCA's earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by WOCS-FWCA as of the end of each of the past years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of WOCS-FWCA, including overhead and claims expense not allocable to individual claims.
3. This line shows WOCS-FWCA's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by excess insurers as of the end of the current year for each accident year.
6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known).
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

# Western Orange County Self-Funded Workers' Compensation Agency

## Ten-Year Claims Development Information

June 30, 2020

	June 30,				
	2011	2012	2013	2014	2015
1. Required contribution and investment revenues					
Earned	\$ 4,109,609	\$ 3,287,515	\$ 3,630,232	\$ 3,685,470	\$ 3,933,378
Excess	358,205	304,054	325,219	314,073	305,176
Net earned	3,751,404	2,983,461	3,305,013	3,371,397	3,628,202
2. Unallocated expenses	706,734	(28,664)	579,853	579,767	422,106
3. Estimated claims and expenses, end of policy year					
Incurred	2,524,958	2,270,016	2,227,540	2,378,881	2,561,933
Excess	-	-	-	-	-
Net incurred	2,524,958	2,270,016	2,227,540	2,378,881	2,561,933
4. Paid (cumulative) as of					
End of policy year	552,733	348,906	407,431	378,459	332,878
One year later	1,059,231	1,074,820	1,013,184	886,046	798,204
Two years later	1,659,979	1,254,596	1,624,868	1,193,060	1,156,234
Three years later	1,941,560	1,360,355	1,801,364	1,393,480	1,401,740
Four years later	2,207,799	1,612,241	1,972,510	1,549,703	1,425,375
Five years later	2,295,787	1,750,390	1,990,201	1,729,360	1,454,795
Six years later	2,387,927	1,980,716	2,041,242	1,806,622	-
Seven years later	2,420,984	1,986,978	2,048,445	-	-
Eight years later	2,522,895	1,992,497	-	-	-
Nine years later	2,566,359	-	-	-	-
5. Re-estimated excess claims and expenses	6,277	99	63,474	2,011	99,306
6. Re-estimated net incurred claims and expenses					
End of policy year	2,524,958	2,270,016	2,227,540	2,378,881	2,561,933
One year later	3,579,050	2,948,420	2,436,399	2,653,860	2,405,421
Two years later	3,571,949	2,313,867	2,825,384	2,671,379	2,381,189
Three years later	3,283,388	2,207,521	2,882,115	2,342,242	2,121,606
Four years later	3,315,073	2,026,107	2,740,796	2,255,475	1,963,902
Five years later	3,123,132	2,138,213	2,645,638	2,250,638	1,772,496
Six years later	2,964,769	2,239,276	2,511,613	2,332,046	-
Seven years later	2,986,687	2,190,421	2,418,744	-	-
Eight years later	2,914,984	2,161,755	-	-	-
Nine years later	2,890,401	-	-	-	-
7. Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$ 365,443	\$ (108,261)	\$ 191,204	\$ (46,835)	\$ (789,437)

# Western Orange County Self-Funded Workers' Compensation Agency

## Ten-Year Claims Development Information

June 30, 2020

	June 30,				
	2016	2017	2018	2019	2020
1. Required contribution and investment revenues					
Earned	\$ 4,447,650	\$ 3,676,965	\$ 3,772,914	\$ 3,846,694	\$ 4,201,343
Excess	295,306	273,968	291,105	276,186	265,252
Net earned	<u>4,152,344</u>	<u>3,402,997</u>	<u>3,481,809</u>	<u>3,570,508</u>	<u>3,936,091</u>
2. Unallocated expenses	<u>454,874</u>	<u>459,352</u>	<u>471,650</u>	<u>465,686</u>	<u>455,365</u>
3. Estimated claims and expenses, end of policy year					
Incurred	2,549,348	2,272,833	2,920,948	2,771,254	2,968,350
Excess	-	-	-	-	-
Net incurred	<u>2,549,348</u>	<u>2,272,833</u>	<u>2,920,948</u>	<u>2,771,254</u>	<u>2,968,350</u>
4. Paid (cumulative) as of					
End of policy year	357,161	629,752	449,300	570,673	545,082
One year later	1,015,497	1,447,792	818,353	1,275,654	-
Two years later	1,353,886	1,910,334	1,124,534	-	-
Three years later	1,563,151	2,179,629	-	-	-
Four years later	1,596,247	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
5. Re-estimated excess claims and expenses	<u>3,488</u>	<u>3,830</u>	<u>615</u>	<u>2,822</u>	<u>321</u>
6. Re-estimated net incurred claims and expenses					
End of policy year	2,549,348	2,272,833	2,920,948	2,771,254	2,968,350
One year later	2,885,629	3,815,423	2,855,727	3,824,271	-
Two years later	3,046,640	3,729,433	2,313,974	-	-
Three years later	2,421,940	3,631,529	-	-	-
Four years later	2,362,351	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
7. Increase (decrease) in estimated incurred claims and expenses from end of policy year	<u>\$ (186,997)</u>	<u>\$ 1,358,696</u>	<u>\$ 606,974</u>	<u>\$ 1,053,017</u>	<u>\$ -</u>





Supplementary Information  
June 30, 2020

# Western Orange County Self-Funded Workers' Compensation Agency

# Western Orange County Self-Funded Workers' Compensation Agency

Schedule of Premiums Earned

Year ended June 30, 2020

Each member of WOCS-FWCA makes its contribution of premiums based on its actual payroll, times the latest Workers' Compensation Inspection Rating Bureau rate (\$1.59 per \$100 of payroll), times an experience modification factor, times a weight factor, for the respective school district. The experience modification factor and the weight factor are determined by the board.

The following schedule illustrates the calculation of the actual premiums for each member of WOCS-FWCA for the current year:

School District	Estimated Payroll from July 1 to June 30	Actual Payroll from July 1 to June 30	Rate [1]	EMF [2]	Computed Premium	Premiums Received at June 30, 2020	Premiums Due at June 30, 2020
Brea Olinda	\$ 40,266,279	\$ 42,017,526	1.59	0.714	\$ 477,007	\$ 457,127	\$ 19,880
Laguna Beach	32,099,726	32,829,451	1.59	0.792	413,415	404,226	9,189
Ocean View	58,934,259	60,015,094	1.59	1.007	960,920	943,614	17,306
Orange County Department of Education	<u>106,167,644</u>	<u>106,904,171</u>	1.59	1.162	<u>1,975,140</u>	<u>1,961,532</u>	<u>13,608</u>
	<u>\$ 237,467,908</u>	<u>\$ 241,766,242</u>			<u>\$ 3,826,482</u>	<u>\$ 3,766,499</u>	<u>\$ 59,983</u>

[1] Manual rate per \$100 of payroll

[2] Experience modification factor

**Western Orange County Self-Funded Workers' Compensation Agency**  
**Results of Operations by Year Since Inception**  
**Year ended June 30, 2020**

June 30,	Contributions and other income	Interest Income	Claims Paid	Claims Liability
1980	\$ 508,307	\$ 10,673	\$ 598,890	\$ -
1981	721,329	81,472	471,615	-
1982	827,095	158,671	481,132	-
1983	821,110	205,842	1,434,269	-
1984	936,295	196,410	848,776	-
1985	1,169,466	264,552	870,104	-
1986	2,107,146	274,558	1,494,118	-
1987	2,046,320	351,435	1,052,150	-
1988	1,991,549	424,114	963,244	-
1989	1,721,834	551,580	1,734,731	-
1990	1,617,230	862,220	2,008,659	-
1991	1,553,744	754,252	1,316,180	-
1992	1,384,616	783,585	1,848,369	-
1993	1,067,370	804,805	1,982,083	-
1994	1,326,972	725,939	1,257,230	-
1995	1,264,277	218,950	1,530,108	-
1996	1,419,969	455,703	1,602,782	-
1997	1,430,127	463,989	2,449,376	-
1998	1,917,472	497,336	1,356,848	99,995
1999	2,016,442	486,586	2,716,533	-
2000	2,001,067	576,780	2,605,263	27,741
2001	1,849,865	614,212	4,083,882	57,668
2002	2,444,940	272,845	2,162,962	-
2003	3,462,707	137,001	1,815,721	-
2004	3,412,981	106,842	3,643,320	24,648
2005	3,595,019	214,268	1,812,189	-
2006	3,721,635	413,018	1,677,606	103,021
2007	4,171,816	582,576	2,851,306	-
2008	4,336,667	515,043	1,705,730	87,003
2009	4,463,541	277,497	1,699,732	33,912
2010	4,396,969	175,017	1,446,777	107,994
2011	4,015,122	94,487	2,560,082	282,491
2012	3,206,205	78,074	1,992,398	149,733
2013	3,577,967	51,899	1,984,971	317,226
2013	-	-	(100,616) [15]	-
2014	3,639,434	45,960	1,804,611	484,365
2015	3,872,229	60,919	1,355,489	285,380
2016	4,328,374	114,159	1,592,759	687,226
2017	3,521,250	155,444	2,175,799	1,396,584
2018	3,535,455	237,459	1,123,919	1,114,829
2019	3,446,205	400,489	1,272,832	2,433,557
2020	3,832,203	369,140	544,761	2,574,389
<b>Total</b>	<b>\$ 102,680,321</b>	<b>\$ 14,065,801</b>	<b>\$ 69,828,690</b>	<b>\$ 10,267,762</b>

[1] Unallocated expenses include a bankruptcy loss of \$903,966

[2] Unallocated expenses include a bankruptcy recovery of \$16,872

[3] Unallocated expenses include a bankruptcy recovery of \$241,564

[4] Unallocated expenses include a bankruptcy recovery of \$212,543

[5] Unallocated expenses include a bankruptcy recovery of \$193,234

[6] Unallocated expenses include SELF assessment of \$1,510,370

[7] Unallocated expenses include SELF assessment of \$906,207

[8] Unallocated expenses include SELF assessment of \$317,144

[9] Unallocated expenses include SELF assessment of \$112,447

[10] Unallocated expenses include SELF assessment of \$517,599

[11] Unallocated expenses include SELF assessment credit of \$118,367 and legal fee reimbursements of \$110,000

[12] Unallocated expenses include SELF assessment of \$215,802

[13] Unallocated expenses include SELF assessment credit of \$503,847

[14] Unallocated expenses include SELF assessment of \$191,771

[15] During 2012-2013 the third party claims administrator adjusted the loss run for prior years claims

[16] For the FY 2019-2020, the Other Costs include \$2,028,316 of Equity Distribution.

**Western Orange County Self-Funded Workers' Compensation Agency**  
**Results of Operations by Year Since Inception**  
**Year ended June 30, 2020**

June 30,	Total Incurred Costs	Other Costs	Ending Balance
1980	\$ 598,890	\$ 76,594	\$ (156,504)
1981	471,615	88,404	242,782
1982	481,132	65,558	439,076
1983	1,434,269	90,904	(498,221)
1984	848,776	86,725	197,204
1985	870,104	94,065	469,849
1986	1,494,118	93,111	794,475
1987	1,052,150	106,858	1,238,747
1988	963,244	135,852	1,316,567
1989	1,734,731	128,012	410,671
1990	2,008,659	164,385	306,406
1991	1,316,180	195,396	796,420
1992	1,848,369	504,856	(185,024)
1993	1,982,083	429,266	(539,174)
1994	1,257,230	428,462	367,219
1995	1,530,108	1,506,817 [1]	(1,553,698)
1996	1,602,782	607,959 [2]	(335,069)
1997	2,449,376	371,266	(926,526)
1998	1,456,843	211,914 [3]	746,051
1999	2,716,533	369,694 [4]	(583,199)
2000	2,633,004	446,038 [5]	(501,195)
2001	4,141,550	217,992	(1,895,465)
2002	2,162,962	476,819	78,004
2003	1,815,721	681,411	1,102,576
2004	3,667,968	2,354,881 [6]	(2,503,026)
2005	1,812,189	1,276,043	721,055
2006	1,780,627	1,964,769 [7]	389,257
2007	2,851,306	1,434,418 [8]	468,668
2008	1,792,733	1,731,314 [9]	1,327,663
2009	1,733,644	1,589,115 [10]	1,418,279
2010	1,554,771	621,308 [11]	2,395,907
2011	2,842,573	1,064,939 [12]	202,097
2012	2,142,131	272,155 [13]	869,993
2013	2,302,197	1,012,456 [14]	315,213
2013	(100,616)	-	100,616
2014	2,288,976	891,968	504,450
2015	1,640,869	728,513	1,563,766
2016	2,279,985	752,802	1,409,746
2017	3,572,383	1,324,867	(1,220,556)
2018	2,238,748	761,225	772,941
2019	3,706,389	741,872	(601,567)
2020	3,119,150	2,748,933 [16]	(1,666,740)
<b>Total</b>	<b>\$ 80,096,452</b>	<b>\$ 28,849,936</b>	<b>\$ 7,799,734</b>

[1] Unallocated expenses include a bankruptcy loss of \$903,966

[2] Unallocated expenses include a bankruptcy recovery of \$16,872

[3] Unallocated expenses include a bankruptcy recovery of \$241,564

[4] Unallocated expenses include a bankruptcy recovery of \$212,543

[5] Unallocated expenses include a bankruptcy recovery of \$193,234

[6] Unallocated expenses include SELF assessment of \$1,510,370

[7] Unallocated expenses include SELF assessment of \$906,207

[8] Unallocated expenses include SELF assessment of \$317,144

[9] Unallocated expenses include SELF assessment of \$112,447

[10] Unallocated expenses include SELF assessment of \$517,599

[11] Unallocated expenses include SELF assessment credit of \$118,367 and legal fee reimbursements of \$110,000

[12] Unallocated expenses include SELF assessment of \$215,802

[13] Unallocated expenses include SELF assessment credit of \$503,847

[14] Unallocated expenses include SELF assessment of \$191,771

[15] During 2012-2013 the third party claims administrator adjusted the loss run for prior years claims

[16] For the FY 2019-2020, the Other Costs include \$2,028,316 of Equity Distribution.



Independent Auditor's Report  
June 30, 2020

**Western Orange County Self-Funded  
Workers' Compensation Agency**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Governing Board  
Western Orange County Self-Funded Workers' Compensation Agency  
Costa Mesa, California

We have audited, 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, the financial statements of the Western Orange County Self-Funded Workers' Compensation Agency (WOCS-FWCA), which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered WOCS-FWCA's internal control over financial reporting (internal control) 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 WOCS-FWCA's internal control. Accordingly, we do not express an opinion on the effectiveness of WOCS-FWCA'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 entity'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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether WOCS-FWCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 14, 2020