



Financial Statements
June 30, 2021 and 2020

Western Orange County Self-Funded Workers' Compensation Agency

Western Orange County Self-Funded Workers' Compensation Agency

Costa Mesa, California

Board of Directors

June 30, 2021

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Western Orange County Self-Funded Workers' Compensation Agency

Table of Contents
June 30, 2021 and 2020

Independent Auditor's Report.....	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	8
Statements of Revenues, Expenses, and Changes in the Net Position.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11
Required Supplementary Information	
Claims Development Information.....	18
Ten-Year Claims Development Information	19
Supplementary Information	
Schedule of Premiums Earned	21
Results of Operations by Year Since Inception	22
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 <i>Government Auditing Standards</i>	25



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, 2021 and 2020, 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, 2021 and 2020, 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 through 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 are 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 November 2, 2021, 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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
November 2, 2021

Western Orange County Self-Funded Workers' Compensation Agency

BOARD OF DIRECTORS

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Laguna Beach Unified SD
(949) 497-7700 x5222

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Brea Olina Unified SD
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(714) 966-4061

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Ocean View SD
(714) 847-2551 x1411

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, 2021 and 2020. The Statements of Revenues, Expenses, and Changes in Net Position reports the operations of WOCS-FWCA for the years ended June 30, 2021 and 2020. The Statements of Cash Flows are presented on the direct method to reflect the operations of WOCS-FWCA for the years ended June 30, 2021 and 2020, 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, 2021 and 2020

CONDENSED FINANCIAL INFORMATION

**Statements of Net Position
For the Years Ended June 30, 2021 and 2020**

	2021	2020
Assets		
Current assets	\$ 21,518,225	\$ 19,656,315
Liabilities		
Current liabilities	2,420,826	2,571,227
Unpaid claims and assessments	10,549,885	9,285,354
Total liabilities	12,970,711	11,856,581
Net Position	\$ 8,547,514	\$ 7,799,734

**Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020**

	2021	2020
Operating Revenue		
Member contributions	\$ 4,122,791	\$ 3,826,482
Other income	2,350	5,721
Total operating revenue	4,125,141	3,832,203
Operating Expenses		
Claims paid, net of recoveries	1,686,962	1,959,991
Provision for claims liability	1,063,317	597,448
Excess insurance premium	276,529	265,252
Contract services/administrative expenses	379,079	342,510
Safety credit program	124,449	112,855
Total operating expenses	3,530,336	3,278,056
Nonoperating Income (Expense)		
Interest income	152,975	369,140
Equity distributions	-	(2,028,316)
Total nonoperating income (expense)	152,975	(1,659,176)
Change in Net Position	747,780	(1,105,029)
Total Net Position, Beginning of Year	7,799,734	8,904,763
Total Net Position, End of Year	\$ 8,547,514	\$ 7,799,734

Western Orange County Self-Funded Workers' Compensation Agency
 Management's Discussion and Analysis
 June 30, 2021 and 2020

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

While the assets of WOCS-FWCA increased by approximately \$1,861,910 from June 30, 2020 to June 30, 2021, net position increased by \$747,780 for the same period.

The increase in current assets of \$1,861,910 from June 30, 2020 to June 30, 2021, is due to an increase in deposits and investments

Total liabilities increased by approximately \$1,114,130 from June 30, 2020 to June 30, 2021. The increase in liabilities was due to an increase in claims liabilities.

Member contributions for the workers' compensation program increased by \$296,309 for the year ended June 30, 2021, 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, 2021**

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
Revenue					
Member contributions	\$ 4,148,309	\$ 4,148,309	0%	\$ 4,122,791	-1%
Investment income	400,000	400,000	0%	152,975	-62%
Other income	-	-	0%	2,350	-
Total revenue	4,548,309	4,548,309	0%	4,278,116	-6%
Expenses					
Claims paid, net of recoveries	2,500,000	2,500,000	0%	1,686,962	33%
Provision (credit) for claims liability	-	-	0%	1,063,317	-
Claims administration	260,000	260,000	0%	278,838	-7%
Excess insurance premium	300,000	300,000	0%	276,529	8%
SELF assessment*	188,770	188,770	0%	-	100%
Other administrative costs	153,000	153,000	0%	100,241	34%
Safety credit program	124,449	124,449	0%	124,449	0%
Total expenditures	3,526,219	3,526,219	0%	3,530,336	0%
Net Change in Net Position	\$ 1,022,090	\$ 1,022,090	0%	\$ 747,780	

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

*SELF assessment payments are recorded as a reduction of the liability.

Western Orange County Self-Funded Workers' Compensation Agency
 Management's Discussion and Analysis
 June 30, 2021 and 2020

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

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
Revenue					
Member contributions	\$ 3,766,499	\$ 3,766,499	0%	\$ 3,826,482	2%
Investment income	444,000	444,000	0%	369,140	-17%
Other income	-	-	0%	5,721	-
	<u>4,210,499</u>	<u>4,210,499</u>	0%	<u>4,201,343</u>	0%
Expenses					
Claims paid, net of recoveries	2,400,000	2,400,000	0%	1,959,991	18%
Provision (credit) for claims liability	-	-	0%	597,448	-
Claims administration	250,000	250,000	0%	226,073	10%
Excess insurance premium	292,000	292,000	0%	265,252	9%
SELF assessment*	188,770	188,770	0%	-	100%
Other administrative costs	160,500	160,500	0%	116,437	27%
Safety credit program	112,995	112,995	0%	112,855	0%
Equity distributions	-	-	0%	2,028,316	-
	<u>3,404,265</u>	<u>3,404,265</u>	0%	<u>5,306,372</u>	-56%
Net Change in Net Position	<u>\$ 806,234</u>	<u>\$ 806,234</u>	0%	<u>\$ (1,105,029)</u>	

*SELF assessment payments are recorded as a reduction of the liability.

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, 2021 and 2020

	2021	2020
Assets		
Current assets		
Deposits and investments	\$ 21,448,489	\$ 19,300,576
Receivable	69,736	79,210
Prepaid expense	-	276,529
	21,518,225	19,656,315
Total assets		
Liabilities		
Current liabilities		
Accounts payable	262,040	22,441
Current portion of SELF assessment	188,786	188,786
Current portion of unpaid claims and claim adjustment expenses	1,970,000	2,360,000
	2,420,826	2,571,227
Total current liabilities		
Non-current portion of SELF assessment	188,806	377,592
Unpaid claims and claim adjustment expenses, non-current portion	10,361,079	8,907,762
	12,970,711	11,856,581
Total liabilities		
Net Position - Unrestricted	\$ 8,547,514	\$ 7,799,734

Western Orange County Self-Funded Workers' Compensation Agency
 Statements of Revenues, Expenses, and Changes in the Net Position
 Years Ended June 30, 2021 and 2020

	2021	2020
Operating Income		
Member contributions	\$ 4,122,791	\$ 3,826,482
Other income	2,350	5,721
Total operating income	4,125,141	3,832,203
Operating Expenses		
Excess insurance premium	276,529	265,252
Claims paid, net of recoveries of \$104,384 in 2021 and \$185,484 in 2020	1,686,962	1,959,991
Provision for claims liability	1,063,317	597,448
Claims administration	278,838	226,073
Other administrative costs	40,017	48,451
Safety credit program	124,449	112,855
State fee	60,224	67,986
Total operating expenses	3,530,336	3,278,056
Operating Income	594,805	554,147
Non-Operating Income (Expense)		
Investment income, net of fees of \$11,683 in 2021 and \$11,434 in 2020	152,975	369,140
Equity distributions	-	(2,028,316)
Total non-operating income (expense)	152,975	(1,659,176)
Change in Net Position	747,780	(1,105,029)
Net Position, Beginning of Year	7,799,734	8,904,763
Net Position, End of Year	\$ 8,547,514	\$ 7,799,734

Western Orange County Self-Funded Workers' Compensation Agency

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Cash received from members and others	\$ 4,209,461	\$ 3,774,621
Cash paid for claims and settlements	(1,554,182)	(1,972,335)
Cash paid for excess insurance premium	(276,529)	(265,252)
Cash paid to SELF for assessments	(188,786)	(188,786)
Cash paid to suppliers for goods and services	(205,230)	(731,894)
Net Cash Provided By Operating Activities	1,984,734	616,354
Investing Activities		
Interest income	163,179	389,084
Financing Activities		
Equity distributions	-	(2,028,316)
Net Change in Cash and Cash Equivalents	2,147,913	(1,022,878)
Cash and Cash Equivalents, Beginning of Year	19,300,576	20,323,454
Cash and Cash Equivalents, End of Year	\$ 21,448,489	\$ 19,300,576
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 594,805	\$ 554,147
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities		
Receivables	(730)	317
Prepaid expense	276,529	(276,529)
Accounts payable	239,599	(70,243)
Amount SELF assessment liability	(188,786)	(188,786)
Claims liability	1,063,317	597,448
Net cash provided by operating activities	\$ 1,984,734	\$ 616,354

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.

Receivables

Receivables 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.

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.

Western Orange County Self-Funded Workers' Compensation Agency

Notes to Financial Statements

June 30, 2021 and 2020

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Investment	\$ 21,048,489	\$ 18,900,576
Trust Revolving Account	<u>400,000</u>	<u>400,000</u>
Total deposits and investments	<u>\$ 21,448,489</u>	<u>\$ 19,300,576</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 \$21,048,489 has an average weighted maturity of 375 days.

Western Orange County Self-Funded Workers' Compensation Agency

Notes to Financial Statements

June 30, 2021 and 2020

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021 and 2020, WOCS-FWCA's bank balance of \$47,259 and \$141,698, 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.

Note 3 - Receivables

Receivables at June 30, 2021 and 2020, consisted of the following:

	2021	2020
Member contributions	\$ 59,532	\$ 59,984
Interest income	10,204	19,226
Total receivables	\$ 69,736	\$ 79,210

Note 4 - Accounts Payable

Accounts payable at June 30, 2021 and 2020, consisted of the following:

	2021	2020
Trust account reimbursement	\$ 176,738	\$ 43,958
County administration fee	252	-
Member contributions	85,050	-
Trade accounts	-	(21,517)
Total accounts payable	\$ 262,040	\$ 22,441

Western Orange County Self-Funded Workers' Compensation Agency

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020:

	2021	2020
Claims Liabilities at Beginning of Fiscal Year	\$ 10,267,762	\$ 9,670,314
Incurred Expenses Related to		
Insured events of the current fiscal year	3,218,332	2,968,350
Insured events of prior fiscal years	(468,053)	(410,911)
Total incurred expenses	2,750,279	2,557,439
Payments Related to		
Insured events of the current fiscal year	308,020	544,761
Insured events of prior fiscal years	1,378,942	1,415,230
Total payments	1,686,962	1,959,991
Claims Liabilities at End of Fiscal Year	\$ 11,331,079	\$ 10,267,762

The components of the unpaid claims and claim adjustment expenses as of June 30, 2021 and 2020, were as follows:

	2021	2020
Claims Liability	\$ 11,331,079	\$ 10,267,762
Unallocated Loss Adjustment Expenses	1,000,000	1,000,000
Current Portion	12,331,079 (1,970,000)	11,267,762 (2,360,000)
Non-Current Portion	\$ 10,361,079	\$ 8,907,762

Western Orange County Self-Funded Workers' Compensation Agency

Notes to Financial Statements

June 30, 2021 and 2020

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		<u><u>\$ 188,786</u></u>

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 2020-2021 is as follows:

Estimated balance from prior year		\$ 566,378
Paid during the current year		<u>(188,786)</u>
		377,592
Less: Current portion		<u>(188,806)</u>
Non-current portion		<u><u>\$ 188,786</u></u>



Required Supplementary Information
June 30, 2021

Western Orange County Self-Funded Workers' Compensation Agency

Western Orange County Self-Funded Workers' Compensation Agency

Claims Development Information

June 30, 2021

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, 2021

	June 30,				
	2012	2013	2014	2015	2016
1. Required contribution and investment revenues					
Earned	\$ 3,287,515	\$ 3,630,232	\$ 3,685,470	\$ 3,933,378	\$ 4,447,650
Excess	304,054	325,219	314,073	305,176	295,306
Net earned	2,983,461	3,305,013	3,371,397	3,628,202	4,152,344
2. Unallocated expenses	(28,664)	579,853	579,767	422,106	454,874
3. Estimated claims and expenses, end of policy year					
Incurred	2,270,016	2,227,540	2,378,881	2,561,933	2,549,348
Excess	-	-	-	-	-
Net incurred	2,270,016	2,227,540	2,378,881	2,561,933	2,549,348
4. Paid (cumulative) as of					
End of policy year	348,906	407,431	378,459	332,878	357,161
One year later	1,074,820	1,013,184	886,046	798,204	1,015,497
Two years later	1,254,596	1,624,868	1,193,060	1,156,234	1,353,886
Three years later	1,360,355	1,801,364	1,393,480	1,401,740	1,563,151
Four years later	1,612,241	1,972,510	1,549,703	1,425,375	1,596,247
Five years later	1,750,390	1,990,201	1,729,360	1,454,795	1,665,033
Six years later	1,980,716	2,041,242	1,806,622	1,454,929	-
Seven years later	1,986,978	2,048,445	1,886,292	-	-
Eight years later	1,992,497	2,053,858	-	-	-
Nine years later	2,020,469	-	-	-	-
5. Re-estimated excess claims and expenses	99	63,474	2,011	99,306	3,488
6. Re-estimated net incurred claims and expenses					
End of policy year	2,270,016	2,227,540	2,378,881	2,561,933	2,549,348
One year later	2,948,420	2,436,399	2,653,860	2,405,421	2,885,629
Two years later	2,313,867	2,825,384	2,671,379	2,381,189	3,046,640
Three years later	2,207,521	2,882,115	2,342,242	2,121,606	2,421,940
Four years later	2,026,107	2,740,796	2,255,475	1,963,902	2,362,351
Five years later	2,138,213	2,645,638	2,250,638	1,772,496	2,431,970
Six years later	2,239,276	2,511,613	2,332,046	1,680,501	-
Seven years later	2,190,421	2,418,744	2,356,956	-	-
Eight years later	2,161,755	2,303,425	-	-	-
Nine years later	2,182,523	-	-	-	-
7. (Increase) decrease in estimated incurred claims and expenses from end of policy year	\$ (87,493)	\$ 75,885	\$ (21,925)	\$ (881,432)	\$ (117,378)

Western Orange County Self-Funded Workers' Compensation Agency

Ten-Year Claims Development Information

June 30, 2021

	June 30,				
	2017	2018	2019	2020	2021
1. Required contribution and investment revenues					
Earned	\$ 3,676,965	\$ 3,772,914	\$ 3,846,694	\$ 4,201,343	\$ 4,278,116
Excess	273,968	291,105	276,186	265,252	276,529
Net earned	<u>3,402,997</u>	<u>3,481,809</u>	<u>3,570,508</u>	<u>3,936,091</u>	<u>4,001,587</u>
2. Unallocated expenses	<u>459,352</u>	<u>471,650</u>	<u>465,686</u>	<u>455,365</u>	<u>503,528</u>
3. Estimated claims and expenses, end of policy year					
Incurred	2,272,833	2,920,948	2,771,254	2,968,350	3,218,332
Excess	-	-	-	-	-
Net incurred	<u>2,272,833</u>	<u>2,920,948</u>	<u>2,771,254</u>	<u>2,968,350</u>	<u>3,218,332</u>
4. Paid (cumulative) as of					
End of policy year	629,752	449,300	570,673	545,082	308,020
One year later	1,447,792	818,353	1,275,654	1,068,174	-
Two years later	1,910,334	1,124,534	1,644,819	-	-
Three years later	2,179,629	1,274,981	-	-	-
Four years later	2,288,121	-	-	-	-
Five years later	-	-	-	-	-
Six years later	-	-	-	-	-
Seven years later	-	-	-	-	-
Eight years later	-	-	-	-	-
Nine years later	-	-	-	-	-
5. Re-estimated excess claims and expenses	<u>3,830</u>	<u>615</u>	<u>2,822</u>	<u>321</u>	<u>-</u>
6. Re-estimated net incurred claims and expenses					
End of policy year	2,272,833	2,920,948	2,771,254	2,968,350	3,218,332
One year later	3,815,423	2,855,727	3,824,271	3,203,675	-
Two years later	3,729,433	2,313,974	3,732,621	-	-
Three years later	3,631,529	2,244,256	-	-	-
Four years later	3,385,062	-	-	-	-
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>\$ 1,112,229</u>	<u>\$ 676,692</u>	<u>\$ 961,367</u>	<u>\$ 235,325</u>	<u>\$ -</u>



Supplementary Information
June 30, 2021

Western Orange County Self-Funded Workers' Compensation Agency

Western Orange County Self-Funded Workers' Compensation Agency

Schedule of Premiums Earned

Year ended June 30, 2021

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, 2021	Premiums Due at June 30, 2021
Brea Olinda	\$ 40,791,000	\$ 42,329,012	1.67	0.607	\$ 429,085	\$ 413,495	\$ 15,590
Laguna Beach	34,009,106	35,831,441	1.67	0.794	475,118	450,954	24,164
Ocean View	60,247,000	61,476,819	1.67	0.963	988,676	968,898	19,778
Orange County Department of Education	<u>112,516,629</u>	<u>108,382,866</u>	1.67	1.232	<u>2,229,912</u>	<u>2,314,962</u>	<u>(85,050)</u>
	<u>\$ 247,563,735</u>	<u>\$ 248,020,138</u>			<u>\$ 4,122,791</u>	<u>\$ 4,148,309</u>	<u>\$ (25,518)</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, 2021

June 30,	Contributions and other income	Interest Income	Claims Paid	Claims Liability	Total Incurred Costs	Other Costs	Ending Balance
1980	\$ 508,307	\$ 10,673	\$ 598,890	\$ -	\$ 598,890	\$ 76,594	\$ (156,504)
1981	721,329	81,472	471,615	-	471,615	88,404	242,782
1982	827,095	158,671	481,132	-	481,132	65,558	439,076
1983	821,110	205,842	1,434,269	-	1,434,269	90,904	(498,221)
1984	936,295	196,410	848,776	-	848,776	86,725	197,204
1985	1,169,466	264,552	870,104	-	870,104	94,065	469,849
1986	2,107,146	274,558	1,494,567	-	1,494,567	93,111	794,026
1987	2,046,320	351,435	1,053,014	-	1,053,014	106,858	1,237,883
1988	1,991,549	424,114	963,244	-	963,244	135,852	1,316,567
1989	1,721,834	551,580	1,934,747	-	1,934,747	128,012	210,655
1990	1,617,230	862,220	2,008,671	-	2,008,671	164,385	306,394
1991	1,553,744	754,252	1,316,300	-	1,316,300	195,396	796,300
1992	1,384,616	783,585	1,848,369	-	1,848,369	504,856	(185,024)
1993	1,067,370	804,805	1,982,083	-	1,982,083	429,266	(539,174)
1994	1,326,972	725,939	1,257,231	-	1,257,231	428,462	367,218
1995	1,264,277	218,950	1,530,108	-	1,530,108	1,506,817 [1]	(1,553,698)

- [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, 2021

June 30,	Contributions and other income	Interest Income	Claims Paid	Claims Liability	Total Incurred Costs	Other Costs	Ending Balance
1996	\$ 1,419,969	\$ 455,703	\$ 1,602,782	\$ -	\$ 1,602,782	\$ 607,959 [2]	\$ (335,069)
1997	1,430,127	463,989	2,449,376	-	2,449,376	371,266	(926,526)
1998	1,917,472	497,336	1,356,848	-	1,356,848	211,914 [3]	846,046
1999	2,016,442	486,586	2,716,533	118,846	2,835,379	369,694 [4]	(702,045)
2000	2,001,067	576,780	2,628,179	26,434	2,654,613	446,038 [5]	(522,804)
2001	1,849,865	614,212	4,092,013	48,761	4,140,774	217,992	(1,894,689)
2002	2,444,940	272,845	2,184,522	-	2,184,522	476,819	56,444
2003	3,462,707	137,001	1,815,722	-	1,815,722	681,411	1,102,575
2004	3,412,981	106,842	3,648,960	20,525	3,669,485	2,354,881 [6]	(2,504,543)
2005	3,595,019	214,268	1,819,045	19,924	1,838,969	1,276,043	694,275
2006	3,721,635	413,018	1,683,282	140,664	1,823,946	1,964,769 [7]	345,938
2007	4,171,816	582,576	2,739,542	-	2,739,542	1,434,418 [8]	580,432
2008	4,336,667	515,043	1,705,808	81,710	1,787,518	1,731,314 [9]	1,332,878
2009	4,463,541	277,497	1,700,391	31,464	1,731,855	1,589,115 [10]	1,420,068
2010	4,396,969	175,017	1,502,578	30,370	1,532,948	621,308 [11]	2,417,730
2011	4,015,122	94,487	2,585,148	270,170	2,855,318	1,064,939 [12]	189,352

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[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, 2021

June 30,	Contributions and other income	Interest Income	Claims Paid	Claims Liability	Total Incurred Costs	Other Costs	Ending Balance
2012	\$ 3,206,205	\$ 78,074	\$ 2,020,370	\$ 145,501	\$ 2,165,871	\$ 272,155 ¹³	\$ 846,253
2013	3,577,967	51,899	1,990,384	215,800	2,206,184	1,012,456 ¹⁴	411,226
2013	-	-	(100,616) ¹⁵	-	(100,616)	-	100,616
2014	3,639,434	45,960	1,884,464	453,269	2,337,733	891,968	455,693
2015	3,872,229	60,919	1,355,623	197,715	1,553,338	728,513	1,651,297
2016	4,328,374	114,159	1,661,545	727,780	2,389,325	752,802	1,300,406
2017	3,521,250	155,444	2,284,256	1,056,614	3,340,870	1,324,867	(989,043)
2018	3,535,455	237,459	1,258,263	915,254	2,173,517	761,225	838,172
2019	3,446,205	400,489	1,616,068	1,883,655	3,499,723	741,872	(394,901)
2020	3,832,203	369,140	1,064,502	2,037,509	3,102,011	2,748,933 ¹⁶	(1,649,601)
2021	4,125,141	152,975	308,020	2,909,114	3,217,134	628,981	432,001
Total	<u>\$ 106,805,462</u>	<u>\$ 14,218,776</u>	<u>\$ 71,666,728</u>	<u>\$ 11,331,079</u>	<u>\$ 82,997,807</u>	<u>\$ 29,478,917</u>	<u>\$ 8,547,514</u>

[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

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



Independent Auditor's Report
June 30, 2021

**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, 2021, 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 November 2, 2021.

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) as a basis for designing 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
November 2, 2021