Independent Cities Risk Management Authority

ICRMA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2024
(With Report of Independent Auditors)

Independent Cities Risk Management Authority

— Governmental Joint Powers Authority —

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

JUNE 30, 2024

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Report of Independent Auditors

The Board of Directors
Independent Cities Risk Management Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Independent Cities Risk Management Authority ("Authority") as of and for the year ended June 30, 2024, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Independent Cities Risk Management Authority as of June 30, 2024, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter – Assessment and Accrued Interest Receivable

As described in Notes 4 and 9 to the financial statements, the City of Redondo Beach filed suit against the Authority claiming their assessment was not properly calculated and approved. As of June 30, 2024, approximately $2.0 million of assessments and $1.7 million in accrued interest is due from the City of Redondo Beach. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, reconciliation of claims liabilities by program, claims development information for the liability, workers' compensation, and auto physical damage programs on pages 30 through 34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent Cities Risk Management Authority's basic financial statements. The combining statements of net position, revenues, expenses and changes in net position, and cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position, revenues, expenses and changes in net position, cash flows are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Independent Cities Risk Management Authority's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 on our consideration of Independent Cities Risk Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independent Cities Risk Management Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent Cities Risk Management Authority's internal control over financial reporting and compliance.

Moss Adams LLP

Sacramento, California
October 31, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

The management of the Independent Cities Risk Management Authority (ICRMA) presents the following discussion and analysis of the operating results, financial condition, and liquidity of ICRMA for the fiscal year ended June 30, 2024. This discussion should be read in conjunction with the financial statements and notes to the financial statements included with this report.

General Program Highlights

ICRMA was established for the purpose of operating and maintaining a cooperative program of self-insurance and risk management. Consisting of 14 cities in Los Angeles, San Bernardino, and Orange Counties, ICRMA offers pooled liability, workers' compensation, property (inclusive of equipment breakdown coverage), and auto physical damage coverage programs. Members also group purchase earth movement/flood, crime, cyber liability, terrorism, and public crisis response coverage. ICRMA provides its members with a wide range of tailored risk management services, including claims oversight, cost containment, training, and loss control services.

Financial Highlights for the Fiscal Year Ended June 30, 2024

Revenues	$47.4 million	Operating revenues increased $5.7 million (14%) over the prior year. The increase was due to an increase in member contributions largely caused by increased insurance/excess insurance/reinsurance premium costs and increased costs to fund the claim liability tied to funding ICRMA's Liability Program. No additional assessments were made in 2023/24. Nonoperating revenues (investment income) increased from the prior year due to an increase in interest rates and net gains in ICRMA's investment balances in relation to the prior year.
Expenses	$43.2 million	Operating expenses increased $6.2 million (17%) over the prior year due primarily to a $6.3 million increase in insurance expense.
Assets	$100.6 million	Assets decreased $488 thousand from the prior year due to a variety of factors affecting the asset account balances. A significant excess insurance recovery receivable was recorded in the current fiscal year related to three liability claims, which resulted in an increase in the accounts receivable balance, but an offsetting decrease to the cash and investments balance. Additionally, an additional year's collection of the outstanding assessment receivable increased the balance in cash and investments but reflected a decline in the assessment receivable balance. The net impact of all these material transactions was a relatively minor change in the asset balances.
Liabilities	$55.1 million	Liabilities decreased $8.6 million due to the decrease in claim liability estimate. This decrease is largely due to the change in discount rate from 2% to 3%.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2024

Description of the Basic Financial Statements

ICRMA's financial statements are prepared in conformity with generally accepted accounting principles and include amounts based upon reliable estimates and judgments. The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows, along with accompanying Notes to Financial Statements.

The **Statement of Net Position** presents information on ICRMA's assets and liabilities, the difference between the two representing net position, also known as pool equity.

The **Statement of Revenues, Expenses and Changes in Net Position** presents information showing total revenues versus total expenses and how ICRMA's net position changed during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years (e.g., the expense associated with the increase in claims liability, involving cash outlay beyond the date of the financial statements).

The **Statement of Cash Flows** presents the changes in ICRMA's cash and cash equivalents during the fiscal year. ICRMA's routine activities appear in the operating activities while sales and purchases of investments are part of investing activities.

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

The **Required Supplementary Information** follows the basic financial statements and provides further detail and reconciliation of claims liabilities.

Analysis of Overall Financial Position and Results of Operations

Condensed Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets	$ 31,614,475	$ 29,005,316
Noncurrent Assets	69,006,655	72,103,504
Total Assets	100,621,130	101,108,820
Liabilities		
Current Liabilities	10,876,320	14,687,735
Noncurrent Liabilities	44,273,587	49,065,359
Total Liabilities	55,149,907	63,753,094
Net Position		
Net Investment in Capital Assets	82	5,452
Unrestricted	45,471,141	37,350,274
Total Net Position	$ 45,471,223	$ 37,355,726

Current and Noncurrent Assets

2023/24 Fiscal Year

Total assets decreased approximately $488 thousand, a relatively minor amount despite significant activity within the accounts making up the assets. A significant excess reinsurance recovery receivable ($10.9 million) was recorded during the fiscal period. This item accounts for the material increase in the accounts receivable balance ($11.4 million).

Cash and Investments

The majority of ICRMA's investments are maintained in a professionally managed portfolio and in the California Asset Management Program (CAMP), or in the Local Agency Investment Fund (LAIF), an external investment pool managed by the State Treasurer's Office. The managed portfolio consists of fixed income securities and cash equivalents purchased and held by PFM Asset Management LLC in accordance with ICRMA's investment policy and the California Government Code.

The asset allocation at June 30, 2024, remained generally consistent with the prior year. The decrease in total cash and investments ($9 million) is due largely to the recording of a significant excess insurance recovery receivable during the year.

Current and Noncurrent Liabilities

2023/24 Fiscal Year

ICRMA's liabilities consist almost entirely of the unpaid liability for loss and loss adjustment expenses in the Liability and Workers' Compensation Programs, which decreased $6.7 million over the prior year. The Liability Program claim liability experienced a $5.4 million decrease, largely due to a change in discount rate, the Workers' Compensation Program claim liability experienced a $0.9 million decrease, and the Auto Physical Damage (APD) Program claim liability experienced a $17 thousand increase over the prior year, as calculated by ICRMA's third-party actuary.

Revenues and Expenses

	2024	2023
Operating Revenues	$ 47,447,248	$ 41,766,744
Operating Expenses	43,165,574	36,937,933
Operating Income	4,281,674	4,828,811
Nonoperating Revenues	3,833,823	1,001,110
Change in Net Position	8,115,497	5,829,921
Beginning Net Position	37,355,726	31,525,805
Ending Net Position	$ 45,471,223	$ 37,355,726

2023/24 Fiscal Year

Total operating revenues increased $5.7 million (14%) over the prior year due to an increase in member contributions. Liability premiums increased by approximately 14%, accounting for most of the increase. The Workers' Compensation program experienced decreased premiums of 6%. The Earthquake/Flood program experienced an increase of 40%. Most other programs had increases relatively consistent with the overall increase in member contributions. The premium costs are passed through to the members and collected as member contributions.

Expenses increased $6.2 million (17%) over the prior year which can be attributed to a $6.3 million increase in insurance expense. ICRMA purchases liability and workers' compensation excess insurance and reinsurance to cover losses in excess of its self-insured retentions of $2 million and $1 million, respectively. Excess and reinsurance premiums for both the Liability and Workers' Compensation Programs increased by $5.4 million for the 2023/24 fiscal year. Additional excess insurance is purchased for the property and APD pooled programs and other fully-insured group-purchase programs.

Net Position

The Liability Program net position was $26.9 million at June 30, 2024, a $4.9 million increase from the prior year. The Workers' Compensation net position was $16 million at the end of the current fiscal year, an increase of $2.5 million from the prior year. The Property Program net position was $2.2 million and the Auto Physical Damage Program net position was $244 thousand at June 30, 2024, an increase of $560 thousand and an increase of $125 thousand, respectively.

The following ratios are used to help evaluate the financial stability of ICRMA. The two ratios shown below provide an indication of financial strength based on the net position maintained by ICRMA. A low ratio of net contribution to net position indicates that a less than optimal margin exists, if annual contributions are ultimately deemed insufficient to cover all program year losses and expenses. A high ratio of net position to self-insured retention indicates a greater ability to finance multiple large losses without impairing the solvency of ICRMA. These margins are necessary to offset the potential for adverse loss development, particularly for "long-tail risks" characterized by long gaps (measured in years or – for Workers' Compensation - decades) between the inception of the exposure and the subsequent manifestation of the loss or damage resulting from the exposure. The Property and APD programs are both considered "short-tail risks" where claims are most typically made during the term of the policy or shortly after the policy has expired, markedly reducing the need for a margin and rendering the ratio calculations for these lines substantially less significant.

	Liability Program		Workers' Compensation Program	
	2024	2023	2024	2023
Net Contributions Received	$ 11,148,161	$ 11,801,899	$ 2,233,908	$ 2,454,356
Net Position as of June 30	$ 26,856,676	$ 21,997,808	$ 16,005,548	$ 13,517,159
Net Contributions to Net Position Ratio (Target: <2:1)	**0.42:1**	**0.54:1**	**0.14:1**	**0.18:1**
Net Position as of June 30	$ 26,856,676	$ 21,997,808	$ 16,005,548	$ 13,517,159
Program SIR as of June 30	$ 2,000,000	$ 2,000,000	$ 1,000,000	$ 1,500,000
Net Position to Self-Insured Retention Ratio (Target: >5:1)	**13.43:1**	**11:1**	**16.01:1**	**9.01:1**

	Property Program		Auto Physical Damage Program	
	2024	2023	2024	2023
Net Contributions Received	$ 829,920	$ 723,793	$ 237,415	$ 198,355
Net Position as of June 30	$ 2,229,607	$ 1,663,236	$ 244,119	$ 119,235
Net Contributions to Net Position Ratio (Target: <2:1)	**0.37:1**	**0.44:1**	**0.97:1**	**1.66:1**
Net Position as of June 30	$ 2,229,607	$ 1,663,236	$ 244,119	$ 119,235
Program SIR as of June 30	$ 250,000	$ 250,000	$ 25,000	$ 25,000
Net Position to Self-Insured Retention Ratio (Target: >5:1)	**8.92:1**	**6.65:1**	**9.76:1**	**4.77:1**

Capital Assets

As of June 30, 2024, ICRMA had $136 thousand in capital assets, net of $271 thousand of accumulated amortization. This represents a net decrease in capital assets of $136 thousand over the prior year, due to amortization expense in the current year. For more detailed information on capital assets see Note 5 to the Basic Financial Statements.

Long-term Obligations

As of June 30, 2024, ICRMA had $135 thousand in long-term obligations related to SBITAs. This represents a net decrease in long-term obligations of $130 thousand over the prior year, due to the payment of SBITA liabilities in the current year. ICRMA does not have any other long-term debt. For more detailed information on long-term obligations see Note 6 to the Basic Financial Statements.

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

In developing the budget for the fiscal year ended June 30, 2024, pool administration staff and the Board took into account the factors that had significant potential to adversely affect the budgeted figures: primarily the claims, investment, and insurance environments. Projections for investment income took into consideration the trends in the interest income generated by ICRMA's invested cash and the resulting effect on the funding levels. Following is a brief overview of the major insurance programs and fixed income investment market.

Liability:
ICRMA's Liability Coverage. Participation in the Liability Program is a condition of membership and provides access to all other ICRMA insurance programs. ICRMA partners with Everest Reinsurance, Safety National, Pennsylvania Manufacturers', Allied, Midvale Indemnity, ACE, SCORE, Group Ark, and Starstone Specialty for the Liability Program, collectively providing a $35 million/occurrence limit above ICRMA's self-insured retention.

- $2 million self-insured retention was maintained.

Workers' Compensation:
Excess Workers' Compensation Coverage. Safety National Casualty Corporation continues to be the reinsurance partner of ICRMA, providing coverage above ICRMA's self-insured retention to the California statutory limit.

- $1 million self-insured retention was maintained.

Property:
The Property program includes a $250 million limit, a $250,000 pool deductible, and $650,000 of aggregate stop loss funding. The member deductible is $10,000.

Auto Physical Damage (APD):
The APD program includes a $10 million limit, a $25,000 deductible, and funding for the pool's actuarially determined $15,000 excess of $10,000/occurrence self-insurance layer. The member deductible is $10,000.

Earthquake and Flood, Crime, Cyber, & Terrorism Programs:
Members may elect to participate in these programs, except for Cyber Liability which is required. All are group purchased, non-risk sharing, fully insured programs. Program deductibles are the individual member's responsibility.

Investments:
ICRMA, through its investment advisor, PFM Asset Management LLC, continues to pursue a policy of diversification of issuers, credit, bond market sectors, and maturities. Likewise, the investment advisor closely monitors current and expected market conditions for investment opportunities consistent with ICRMA's long-term investment objectives. Furthermore, all investments are carefully analyzed and monitored to evaluate possible risks and to ensure that the portfolio remains in compliance with the Government Code and ICRMA's investment policy. The Board reviews it's investment policy on an annual basis for improvements in best practices and continued conformance with State codes.

Request for Information:
Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Independent Cities Risk Management Authority
18201 Von Karman, Suite 200
Irvine, CA 92612

BASIC FINANCIAL STATEMENTS

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2024

(With comparative totals for June 30, 2023)

	2024	2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 14,295,542	$21,056,809
Investments	363,741	2,558,207
Accounts Receivable	13,568,153	2,175,726
Assessment Receivable, Current Portion	2,913,989	2,913,989
Interest Receivable	398,445	280,240
Prepaid Expenses	74,605	20,345
Total Current Assets	31,614,475	29,005,316
Noncurrent Assets:		
Investments	60,079,842	60,127,179
Assessment Receivable	8,791,290	11,705,279
Capital Assets		
Right-to-use IT Subscription Asset, Net of Accumulated Amortization	135,523	271,046
Total Capital Assets	135,523	271,046
Total Noncurrent Assets	69,006,655	72,103,504
Total Assets	100,621,130	101,108,820
LIABILITIES		
Current Liabilities:		
Accounts Payable	677,886	2,374,260
Accrued Expenses	-	30,000
Member Deposits	187,732	181,309
Accrued Interest Liability	5,518	10,792
Subscription IT Liability - Current Portion	135,441	130,153
Claims Payable - Current Portion	9,869,743	11,961,221
Total Current Liabilities	10,876,320	14,687,735
Noncurrent Liabilities:		
Subscription IT Liability - Long-term portion	-	135,441
Claims Payable - Long-term Portion	44,273,587	48,929,918
Total Noncurrent Liabilities	44,273,587	49,065,359
Total Liabilities	55,149,907	63,753,094
NET POSITION		
Net Position		
Net Investment in Capital Assets	82	5,452
Unrestricted	45,471,141	37,350,274
Total Net Position	$ 45,471,223	$ 37,355,726

See accompanying notes to financial statements.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2024

(With comparative totals for year ended June 30, 2023)

	2024	2023
OPERATING REVENUES		
Member Premiums	$ 47,447,248	$ 41,766,744
Total Operating Revenues	47,447,248	41,766,744
OPERATING EXPENSES		
Direct Operating Expenses:		
Claims Expense	5,811,282	6,127,812
Insurance Expense	32,819,653	26,477,734
Broker Fees	255,218	254,577
Claims Administration	1,723,876	1,846,521
Program Administration	1,369,586	1,137,467
General & Administrative Expense	1,050,436	931,816
Amortization	135,523	135,523
Dividends	-	26,483
Total Operating Expenses	43,165,574	36,937,933
Operating Income	4,281,674	4,828,811
NONOPERATING REVENUES/EXPENSES:		
Investment Income, Net	3,839,330	972,442
Interest Expense	(5,549)	(10,792)
Other Income	42	39,460
Total Nonoperating Revenues/Expenses	3,833,823	1,001,110
Change in Net Position	8,115,497	5,829,921
Net Income		
Beginning Net Position	37,355,726	31,525,805
Ending Net Position	$ 45,471,223	$ 37,355,726

See accompanying notes to financial statements.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

(With comparative totals for year ended June 30, 2023)

	2024	2023
Cash Flows from Operating Activities:		
Cash Received from Members for Premiums	$ 50,362,171	$44,680,747
Cash Payments to Suppliers for Services	(37,270,038)	(26,761,461)
Cash Payments Relating to Claims and Claim Administration	(25,675,394)	(1,531,410)
Cash Payments for Dividends Declared	-	(26,483)
Net Cash Provided By (Used In) Operating Activities	(12,583,261)	16,361,393
Cash Flows from Capital and Related Financing Activities:		
Cash Payments for Principal on Subscription IT Liabilities	(130,153)	(130,183)
Cash Payments for Interest on Subscription IT Liabilities	(10,823)	(10,792)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(140,976)	(140,975)
Cash Flows from Investing Activities:		
Purchases of Investments	(70,280,667)	(52,174,870)
Proceeds from Investment Sales and Maturities	75,122,496	51,952,047
Interest Income Received	1,121,141	1,101,723
Net Cash Provided By (Used In) Investing Activities	5,962,970	878,900
Net Decrease in Cash and Cash Equivalents	(6,761,267)	17,099,318
Cash and Cash Equivalents, Beginning of Year	21,056,809	3,957,491
Cash and Cash Equivalents, End of Year	$ 14,295,542	$ 21,056,809
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:		
Operating Income	$ 4,281,674	$4,828,811
Adjustments:		
Amortization	135,523	135,523
Miscellaneous Reimbursements	-	39,460
Adjustment to net cash provided by (used in) operating activities:		
(Increase) Decrease in Accounts/Assessment Receivable	(8,478,438)	16,749,176
(Increase) Decrease in Prepaid Expenses	(54,260)	(2,199)
(Decrease) Increase in Accounts Payable	(1,696,374)	1,969,362
(Decrease) Increase in Member Deposits	6,423	3,525
(Decrease) Increase in Accrued Expenses	(30,000)	30,000
(Decrease) Increase in Claims Payable	(6,747,809)	(7,392,265)
Net Cash Provided By (Used In) Operating Activities	$ (12,583,261)	$ 16,361,393
Noncash Investing Activities:		
Unrealized gain (loss) in market values of investments	$ 2,603,067	$ (187,968)
Subscription liability for the acquisition of a right to use subscription asset	-	271,046

See accompanying notes to financial statements.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

1. GENERAL INFORMATION

Independent Cities Risk Management Authority (ICRMA) was formed in 1980 under a joint exercise of powers agreement with five members in accordance with provisions of California Government Code Section 6500, et seq. As of June 30, 2024, there were 14 participating members. ICRMA was created to provide risk management to protect its members, their officers and employees, and property against unavoidable losses through pooling of losses, self-insurance and purchasing insurance. ICRMA is governed by a Governing Board of Directors, consisting of one voting member appointed by each member agency.

Each member must participate in the Liability and Cyber programs. Members may elect to participate in all other pooled or group-purchased programs: Workers' Compensation, Property, Auto Physical Damage (APD), Crime, Earthquake & Flood, and Terrorism. A member may elect to withdraw from ICRMA at the end of a given fiscal year by providing written notice by July 1 of the prior year. Such withdrawal, however, will not terminate the member's responsibility for its share of claims and losses incurred prior to its withdrawal. ICRMA also has the right to cancel a member's participation with the approval of a two-thirds vote of the Governing Board.

ICRMA maintains an agreement with a pool management firm to provide administrative services to ICRMA. ICRMA also maintains agreements with outside firms to provide general legal counsel, coverage counsel, insurance brokerage, actuarial, financial, accounting, claims auditing, claims administration and litigation management, pre-employment screening, and investment management.

A. MEMBERSHIP

As of June 30, 2024, membership and selected retained limits were as follows:

Member	General Liability Program	Workers' Compensation Program	Property Program	Auto Physical Damage Program	Crime Program [1]	Cyber Program [1]	Earthquake & Flood Program [1]	Terrorism Program [1]
City of Adelanto	$ 250,000	$ 350,000	●	●	●	●		●
City of Bell	$ 250,000	N/A				●		●
City of Downey	$ 2,000,000	N/A	●	●	●	●	●	●
City of El Monte	$ 500,000	N/A	●		●	●		●
City of El Segundo	$ 750,000	$ 500,000	●	●	●	●	●	●
City of Fullerton	$ 4,000,000	N/A	●	●	●	●		●
City of Glendora	$ 250,000	$ 500,000	●	●	●	●	●	●
City of Hawthorne	$ 2,000,000	N/A	●	●	●	●		●
City of Huntington Park	$ 500,000	$ 500,000	●	●	●	●	●	●
City of Inglewood	$ 2,000,000	$ 1,000,000				●		●
City of Lynwood	$ 250,000	$ 500,000	●	●	●	●	●	●
City of San Fernando	$ 250,000	$ 500,000	●	●	●	●	●	●
City of Santa Ana	$ 3,000,000	$ 2,000,000	●	●	●	●		
City of South Gate	$ 500,000	N/A	●	●	●	●		●

[1] These programs are a fully insured group purchase program with no risk sharing.

1. GENERAL INFORMATION (continued)

B. ADMISSION AND WITHDRAWAL OF MEMBERS

Admission

Any governmental agency organized and operating under the laws of the state of California, which is authorized to participate in a joint powers agreement under the Government Code, may become a member of ICRMA. Prospective members must submit an application for admission and are subject to underwriting and inspections by ICRMA and its excess carriers/reinsurers. Admission into ICRMA is subject to the approval of the Governing Board and prospective members must agree to remain a member for at least three consecutive fiscal years. The Bylaws contain admission and termination provisions.

Withdrawal

Any member that has completed three complete fiscal years as a member of ICRMA may voluntarily terminate their membership provided it gives written notice of its intention to withdraw by July 1 of the preceding year.

C. DESCRIPTION OF PROGRAMS

Liability Program

The general liability self-insurance arranged by ICRMA for its members offers protection from third party tort claims alleging damages from member activities or facilities. The Liability Program has the following coverage limit features:

July 1, 2023 to June 30, 2024

Member Retentions:	Ranges from $250,000 to $4,000,000
ICRMA's Retention:	$2,000,000 less the Member Retention (except for Fullerton and Santa Ana)
Reinsurance:	$33,000,000 excess of $2,000,000

Each ICRMA member pays for its own losses up to the retention it selects. ICRMA provides coverage that exceeds the Member Retentions up to $2,000,000 each. Everest Reinsurance provided a $2 million liability buffer excess $2 million layer. Safety National provided reinsurance for the $5 million excess $4 million layer, Pennsylvania Manufacturers reinsured the $4 million excess $9 million layer, Allied World Assurance reinsured the $2.5 million excess $13 million layer, Midvale Indemnity reinsured the $2.5 million excess $15.5 million layer, ACE American reinsured the $2 million excess $18 million layer, SCORE reinsured the $5 million excess $20 million layer, Group Ark reinsured the $5 million excess $25 million layer, and Starstone Specialty reinsured the $5 million excess 30 million layer.

The annual contributions paid by each member to ICRMA for the Liability Program are approved by the Governing Board and are calculated to cover ICRMA's forecasted claim expenses and settlements, excess and reinsurance costs, and operating costs. Every member participates in the liability program.

1. GENERAL INFORMATION (continued)

C. DESCRIPTION OF PROGRAMS (continued)

Workers' Compensation Program

ICRMA's Workers' Compensation Program operates in a similar fashion to the Liability Program. It has the following coverage limit features:

July 1, 2023 to June 30, 2024	
Member Retentions:	Range from \$350,000 to \$2,000,000
ICRMA's Retention:	\$1,000,000 less the Member Retention (except for Santa Ana)
Excess Insurance/ Buffer Layer:	Excess of \$2,000,000 to Statutory Limits, less \$1,000,000 buffer layer

Within ICRMA's retention, a risk sharing pool arrangement has been established whereby each member selects its own self-insured retention level from \$350,000 to \$2,000,000. Each member of ICRMA then assumes its own losses up to its selected retention. Any losses between its retention and \$1,000,000 are shared by participating members. A commercial insurance company provides coverage in excess of ICRMA's retained limit up to statutory limits. Eight members participated in the Workers' Compensation Program during the fiscal year ended June 30, 2024. The annual contributions paid by each member to ICRMA for the Workers' Compensation Program are approved by the Governing Board and are calculated to cover ICRMA's forecasted claim expenses and settlements, excess and reinsurance costs, and operating costs.

Property Program

ICRMA had a combined Property/Auto Physical Damage (APD) program (including equipment breakdown coverage) from July 1, 2017 through June 30, 2019. These programs were separated into independent, pooled programs on July 1, 2019. Starting on July 1, 2021, the stand-alone Property program (including equipment breakdown coverage) had a \$250 million limit, a \$250,000 pool deductible, a \$10,000 member deductible, and an aggregate stop loss attachment point of \$650,000.

Auto Physical Damage Program

As described above, on July 1, 2019, the APD program was split into a separate program from the original Property Program. The stand-alone APD program has a \$10 million limit, a \$25,000 pool deductible, and a \$10,000 member deductible. Funding for the pool's \$15,000 excess of \$10,000 layer is actuarially determined. The annual contributions paid by each member to ICRMA for the APD Program are approved by the Governing Board and are calculated to cover ICRMA's forecasted claim expenses and settlements, excess and reinsurance costs, and operating costs.

Earthquake and Flood, Crime, Cyber, & Terrorism Programs

ICRMA also provides its members Earthquake and Flood, Crime, Cyber, and Terrorism Programs. These are group purchased, non-risk sharing, fully insured all-risk programs. Program deductibles are the individual member's responsibility. The annual contributions paid by each member to ICRMA for the Earthquake and Flood, Crime, Cyber, and Terrorism programs are approved by the Governing Board and are calculated to cover purchased insurance costs and operating costs.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

Proprietary funds are accounted for using the accrual basis of accounting as prescribed by the Governmental Accounting Standards Board (GASB). Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The accounting records of ICRMA are reported as an enterprise fund. ICRMA's resources are allocated and accounted for based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. Enterprise funds, which fall under the Proprietary Fund Type category, are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing services to members on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds are accounted for on a flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

B. Reporting Entity

ICRMA's reporting entity includes all activities (operations of its administrators, officers, and Governing Board as they relate to ICRMA) considered to be part of (controlled by or dependent upon) ICRMA. This includes financial activity relating to all of the membership years of ICRMA.

C. Operating Revenues and Expenses

Operating revenues, such as charges for services (membership premiums) result from exchange transactions associated with the principal activity of ICRMA. Exchange transactions are those in which each party receives and gives up essentially equal values. All other revenues not related to principal activities of ICRMA are classified as nonoperating revenues, such as investment income.

Operating expenses include costs of services and administrative expenses. All expenses not meeting this definition are reported as nonoperating expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investments

Generally accepted accounting principles require that public agencies report investments in their financial statements at fair value, except for certain nonparticipating certificates of deposit, investment contracts, or money market funds, that are reported at cost if they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

E. Cash and Cash Equivalents

For purposes of presentation in the statement of cash flows, cash and cash equivalents represent funds in bank account and deposits held by the state local agency investment fund (LAIF), but does not include the California Asset Management Program (CAMP) as these are managed as an investment.

F. Accounts Receivable

As of June 30, 2024, ICRMA reported $13,568,153 of receivables related to amounts due from members and former members for various reimbursements, interest and/or penalties on assessments, and amounts due from excess insurance carriers.

G. Contributions and Assessments

Member contributions are collected and recognized as revenues in the period for which insurance protection is provided. In accordance with its Bylaws, the Governing Board of ICRMA may take actions to assess the members of a program an amount determined necessary for the soundness of the program. ICRMA has analyzed these receivables for collectability and has not recorded an allowance for uncollectible amounts related to these assessments, as ICRMA believes all assessments to be fully collectable. Refer to Note 4 for further details regarding the assessments approved, and related activity.

H. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. ICRMA maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Right to use subscription IT assets are recognized at the subscription commencement date and represent ICRMA's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Long-term Obligations

Subscription Liabilities represent ICRMA's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by ICRMA.

J. Claims Liabilities (Claims Reserves and Claims Incurred but Not Reported)

ICRMA establishes claims liabilities based on actuarial estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims payable does not necessarily result in an exact amount, particularly for coverage such as claims liability. Claims liabilities are re-computed periodically using a variety of actuarial techniques to produce current estimates that reflect recent settlements, claims frequency, and broader economic and social trends. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on historical data that reflects inflation and on other factors considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged to expense in the periods in which they are made. Claims liabilities are presented at their net present value. The Liability Program was discounted at 3% for the year ended June 30, 2024. This represents an increase of 1% from the discount rate of 2% applied in the prior fiscal year ended June 30, 2023. The Workers' Compensation was discounted at 2% and the APD program for the year ended June 30, 2024. This valuation of claims liabilities is used since claims are paid out over a period of time, yet contributions to pay for the claims are collected immediately and earn interest, which will offset the amount paid.

K. Unallocated Loss Adjustment Expense

The liability for unallocated loss adjustment expense (ULAE) includes all costs expected to be incurred in connection with the settlement of unpaid claims that cannot be related to a specific claim. The estimate has been calculated by ICRMA's actuary. As of June 30, 2024 and 2023, the ULAE was $1,336,472 and $1,580,292, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Confidence Level Used by ICRMA

The liability for unpaid claims is measured in terms of a *confidence or probability level* because the actual development and outcome of claims (and of losses incurred but not reported as claims) cannot be known with absolute certainty. Confidence level measures the degree of certainty in estimating the liability for claims payable. For example, a 50% confidence level means that 50% of the time, the methodology and assumptions used by the actuary will produce an estimate of the liability for claims payable that is equal to (or greater than) the actual amount that will be paid for those claims and losses. The accompanying financial statements reflect the application of an expected confidence level for the Liability Program, Workers' Compensation Program, and APD Program. Member contribution rates for losses were set to provide funding for the fiscal year as follows: 1) 75% confidence level for the Liability Program self-insured layer from the members' retained limit to $2 million, with a 3% discount applied, 2) 75% confidence level for the Workers' Compensation Program self-insured layer from the members' retained limit to $1 million, with a 2% discount applied 3) 75% confidence level for the APD Program self-insured layer from the members' retained limit to $25 thousand, undiscounted.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

N. Comparative Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in ICRMA's financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ICRMA's financial statements for the year ended June 30, 2023, from which this selected financial data was derived.

3. CASH AND INVESTMENTS

A. Cash and Cash Equivalents

Cash consisted of the following at June 30:

	2024	2023
Cash Per Bank Statement	$ 14,245,164	$ 2,706,756
Less: Outstanding Checks	-	(2,168,729)
Balance Per Books	14,245,164	538,027
LAIF	14,592	203,624
CAMP	35,786	20,315,158
Total Cash and Cash Equivalents	$ 14,295,542	$ 21,056,809

Cash In Bank

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

Local Agency Investment Fund (LAIF)

ICRMA is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of ICRMA's investment in this pool is reported in the accompanying financial statements based upon ICRMA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio), is not subject to fair value hierarchy and therefore uncategorized. The balance available for withdrawal is based on the accounting records maintained by LAIF which are recorded on an amortized cost basis. Funds are accessible and transferable to ICRMA's cash account within twenty-four hour notice. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. As of June 30, 2024, this fund yields approximately 3.927% interest annually and has a weighted average to maturity of 217 days. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

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

3. CASH AND INVESTMENTS (continued)

A. Cash and Cash Equivalents (continued)

California Asset Management Program (CAMP)

ICRMA is a voluntary participant in the California Asset Management Trust (Trust), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. CAMP is directed by a Board of Trustees made up of local government finance directors and treasurers. There are no minimum deposit requirements or limits on deposits and withdrawals. The contract creating the Trust specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. The fair value of ICRMA's investment in this pool is reported in the accompanying financial statements at amounts based upon the district's pro-rata share of the fair value provided by CAMP.

B. Investments Authorized by the California Government Code and ICRMA's Investment Policy

The table below identifies the investment types that are authorized for ICRMA by the California Government Code and ICRMA's investment policy. The table also identifies certain provisions of the California Government Code (or ICRMA's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Portfolio Investment In One Issuer
Municipal Bonds	Yes	5 Years	30%	5%
U.S. Treasury Obligations	Yes	5 Years	None	None
U.S. Agency Securities	Yes	5 Years**	None	None
Banker's Acceptance	Yes	180 Days	40%	5%
Commercial Paper	Yes	270 Days	25%	5%
Certificate of Deposit	Yes	5 Years	30%	5%
Repurchase Agreements	Yes	30 Days	None	5%
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Corporate Notes	Yes	5 Years	30%	5%
Supranational Debt	Yes	5 Years	30%	None
Asset Backed Securities	Yes	5 Years	20%	5%
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	None
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	Yes	N/A	$75M	None
California Asset Management Program (CAMP)	Yes	N/A	N/A	None
JPA Pools (other investment pools)	Yes	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

**Pursuant to government code, ICRMA has authorized certain investments up to 10 years maximum maturity.

3. CASH AND INVESTMENTS (continued)

B. Investments Authorized by the California Government Code and ICRMA's Investment Policy (continued)

ICRMA held the following investments as of June 30:

	2024	2023
Investments, Current	$ 363,741	$ 2,558,207
Investments, Noncurrent	60,079,842	60,127,179
Total Investments	$ 60,443,583	$ 62,685,386

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that ICRMA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of ICRMA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of ICRMA's investments by maturity as of June 30, 2024:

		Remaining Maturity (in months)		
	Fair Value	12 months or less	13 to 24 months	25 to 60 months
U.S. Treasury Notes	$ 19,244,744	$ -	$ 5,105,584	$ 14,139,160
Asset Backed Securities	8,914,707	-	186,798	8,727,909
U.S. Agency Securities	11,767,858	-	3,121,557	8,646,301
Medium Term Corporate Notes	15,992,501	107,858	2,284,568	13,600,075
Municipal Bond	2,014,371	-	2,014,371	-
Certificate of Deposit	2,253,519	-	727,722	1,525,797
Money Market Mutual Funds	255,883	255,883	-	-
Total	$ 60,443,583	$ 363,741	$ 13,440,600	$ 46,639,242

D. Concentration of Credit Risk

The investment policy of ICRMA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any oner issuer (other than U.S. Treasury securities and external investment pools) that represented 5% or more of total ICRMA investments for the year ended June 30, 2024 are as follows:

Name of Issuer	Investment Type	Reported Amount	% of Portfolio
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	$ 10,337,343	17.1%

3. CASH AND INVESTMENTS (continued)

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, ICRMA's investment policy, and the actual rating as of year end for each investment type.

	Amount	Ratings as of Year End	Minimum Legal Rating
U.S. Treasury Notes	$ 19,244,744	Exempt	N/A
Asset Backed Securities *	8,914,707	AA or better	AA
U.S. Agency Securities	11,767,858	AA+	AA
Medium Term Corporate Notes	14,517,463	A or better	A
Medium Term Corporate Notes **	1,475,038	BBB+	A
Municipal Bond ***	2,014,371	AA or better	N/A
Certificate of Deposit	2,253,519	A or better	A
Money Market Mutual Funds	255,883	AAAm	N/A
Total	$ 60,443,583		

* $796,620 of securities are rated as Aa3 or better by Moody's, but not rated by S&P.

** The securities are rated as A1 - A3 by Moody's, but rated BBB+ by S&P.

*** $450,379 of securities are rated as Aa2 or better by Moody's, but not rated by S&P.

F. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and ICRMA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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 deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All amounts were collateralized as described above.

3. CASH AND INVESTMENTS (continued)

G. Fair Value Measurement

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs. For example, municipal bonds, corporate bonds and notes, and government securities for which quoted prices are not readily available; Level 3 inputs are significant unobservable inputs. Investments fair value measurements at June 30, 2024 are as follows:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 19,244,744	$ -	$ 19,244,744	$ -
Asset Backed Securities	8,914,707	-	8,914,707	-
U.S. Agency Securities	11,767,858	-	11,767,858	-
Medium Term Corporate Notes	15,992,501	-	15,992,501	-
Municipal Bond	2,014,371	-	2,014,371	-
Certificate of Deposit	2,253,519	-	2,253,519	-
Total categorized	$ 60,187,700	$ -	$ 60,187,700	$ -
Uncategorized				
State Investment Pool (LAIF)*	$ 14,592			
Money Market Mutual Funds	255,883			
Money Market Liquidity (CAMP)*	35,786			
Total uncategorized	306,261			
Total	$ 60,493,961			

*LAIF and CAMP are transacted on a basis of $1 in or out, therefore are not subject to the fair value hierarchy and are uncategorized.

4. ASSESSMENT RECEIVABLE

The ICRMA Board of Directors approved assessments of $12,500,000 and $25,000,000 on January 21, 2016, and November 17, 2016, respectively. The $12.5 million assessment was to be collected over seven years beginning with 2016/17 fiscal year; however, upon the approval of the $25 million assessment, members were able to choose between a lump sum payment or a 10 year payment plan. In 2017-18, seven cities chose the lump sum payment option for a total of $3.7 million and 18 cities chose the 10 year payment plan. For the cities on the payment plan, payments are approximately $3 million a year, with final payment due in fiscal year 2026-27.

4. ASSESSMENT RECEIVABLE (continued)

The City of Redondo Beach made one assessment payment (approximately one-seventh of their allocated share) of the $12.5 million original assessment. Subsequent to that payment, the City of Redondo Beach has not made any further payments toward either assessment. In September 2017, the City of Redondo Beach filed suit claiming the assessment was not properly calculated and approved. As of June 30, 2024, the City of Redondo Beach's unpaid share of the assessment is $2,044,670. ICRMA believes these amounts were properly calculated and assessed.

The City of Baldwin Park's share of the assessment is a total of $1,312,348, of which the City has paid their first three assessment multi-year payments totaling $393,704. As of June 30, 2024, the City of Baldwin Park has not paid their fourth, fifth, sixth, and seventh installment payments totaling $524,939. As described above, all other members have either paid their balance or entered into multi-year payment plans.

During the year ended June 30, 2024, payments of $2,913,989 were made from the members related to the multi-year payment plans. As of June 30, 2024, $11,705,279 was due from the members for the remaining balances of these assessments, including $2,044,670 from the City of Redondo Beach, and $918,644 from the City of Baldwin Park. No allowance for uncollectable amounts has been recorded regarding the City of Redondo Beach and the City of Baldwin Park's balances as ICRMA deems these amounts collectible. The City of Redondo Beach and the City of Baldwin Park have also accrued $2,111,893 and $282,801, respectively, in penalties and interest as of June 30, 2024 related to the unpaid assessments, reported within accounts receivable in the Statement of Net Position.

5. CAPITAL ASSETS

A schedule of changes in capital assets and accumulated amortization for the year ended June 30, 2024 is shown as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Right to use subscription IT assets being amortized	$ 406,569	$ -	$ -	$ 406,569
Less accumulated amortization	(135,523)	(135,523)	-	(271,046)
Net right to use subscription IT assets	271,046	(135,523)	-	135,523
Total capital assets, net	$ 271,046	$ (135,523)	$ -	$ 135,523

Amortization expense for the year ended June 30, 2024 was charged to the following funds:

General Liability	$ 81,314
Workers' Compensation	54,209
Total amortization expense	$ 135,523

6. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the year ended June 30, 2024:

Long-Term Obligations	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year
Subscription IT liabilities	$ 265,594	$ -	$ (130,153)	$ 135,441	$ 135,441

Subscription-Based Information Technology Arrangements (SBITAs)

During the year ended June 30, 2023, ICRMA entered one SBITA contract for a claim management system subscription. As of June 30, 2024, the value of the subscription liability was $135,441. ICRMA is required to make annual principal and interest payments of $140,975 through June 2025. The subscription liability was valued using a discount rate of 4% based on the State and Local Government Series (SLGS) daily rates at the inception of the subscription.

The principal and interest payments of the SBITA liabilities are summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 135,441	$ 5,534	$ 140,975
Total	$ 135,441	$ 5,534	$ 140,975

7. MEMBER DIVIDEND

In accordance with each program's bylaws, a dividend calculation is performed five years after the end of the program year. Dividends are available to be declared only at such time as each individual program as a whole has equity, with liabilities actuarially stated at a 90% confidence level and discounted (Liability Program) or undiscounted (Workers' Compensation Program). The calculated amount represents the maximum dividend available to be declared. No dividends were declared during the fiscal year ended June 30, 2024.

8. CLAIMS LIABILITIES

ICRMA establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of losses, related claim adjustment expenses and unallocated loss adjustment expenses. Claims payable are presented at their net present value. The liability program was discounted at 3% for the year ended June 30, 2024 and 2% for the year ended June 30, 2023. the workers' compensation program was discounted at 2% and the APD program was undiscounted for the year ended June 30, 2024 and June 30, 2023. The following represents the changes in the claims liabilities for the years ended June 30, 2024 and 2023:

	2024	2023
Unpaid claims and claims adjustment expenses at beginning of fiscal year	$ 60,891,139	$ 68,283,404
Incurred claim and claims adjustment expenses:		
Provision for insured events of the current fiscal year	6,391,010	7,122,619
Decrease in provision for insured events of prior fiscal years	(819,728)	(1,030,254)
Total incurred claims and claims adjustment expenses	5,571,282	6,092,365
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	53,942	72,322
Claims and claim adjustment expenses attributable to covered events in prior years	12,265,149	13,412,308
Total payments	12,319,091	13,484,630
Total unpaid claims and claim adjustment expenses at end of fiscal year	$ 54,143,330	$ 60,891,139
Claims reserves	$ 24,716,813	$ 29,966,727
Claims incurred but not reported (IBNR)	28,090,045	29,344,120
Unallocated loss adjustment expenses (ULAE)	1,336,472	1,580,292
Total	$ 54,143,330	$ 60,891,139
Current Portion	$ 9,869,743	$ 11,961,221
Noncurrent Portion	44,273,587	48,929,918
Total Claims Liabilities	$ 54,143,330	$ 60,891,139

As of June 30, 2024 and 2023, the undiscounted unpaid claims and claims adjustment expenses were $61,813,625 and $67,624,781, respectively.

9. CONTINGENCIES

Various claims and suits have been filed in the normal course of operations. The probable amount of loss associated with these cases have been estimated by contracted actuarial consultants and reflected in the accompanying financial statements as claims payable liabilities. Although the outcome of these claims and lawsuits is uncertain, management does not expect that the resolution of these cases will have an adverse effect on ICRMA that is materially beyond the provision for claims liabilities reflected in the accompanying financial statements.

As described in Note 4 the City of Redondo Beach has filed a lawsuit challenging ICRMA's assessment of $2,044,670. As of June 30, 2024, this matter has not been resolved.

10. RELATED PARTY TRANSACTIONS

ICRMA's executive management, Risk Program Administrators (RPA), is a subsidiary of Arthur J. Gallagher & Co., who is ICRMA's insurance broker. During the year, RPA approved payments to be made to RPA and Arthur J. Gallagher. ICRMA paid $964,467 to RPA for program administration fees and $255,219 to Arthur J. Gallagher for insurance brokerage fees in fiscal year 2023-24.

11. SUBSEQUENT EVENTS

On September 4, 2024, ICRMA's pool administrator, Risk Program Administrators LLC (RPA), provided their notice of termination effective January 1, 2025. The Board met on October 15, 2024, and formed an ad hoc committee to address the recruitment of a new pool administrator.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

RECONCILIATION OF CLAIM LIABILITY BY PROGRAM

FOR THE YEAR ENDED JUNE 30, 2024

	General Liability		Workers' Compensation		Auto Physical Damage		Total	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Unpaid loss and loss adjustment expenses at beginning of year beginning of the year	$ 41,424,000	$ 49,355,000	$ 19,303,000	$ 18,816,000	$ 164,139	$ 112,404	$ 60,891,139	$ 68,283,404
Incurred losses and loss adjustment expenses:								
Provision for insured events of current year	5,638,500	6,395,153	571,699	550,830	180,811	176,636	6,391,010	7,122,619
Provision for insured events of prior years	(186,252)	(2,531,714)	(504,903)	1,538,342	(128,573)	(36,882)	(819,728)	(1,030,254)
Total incurred loss and loss adjustment expenses	5,452,248	3,863,439	66,796	2,089,172	52,238	139,754	5,571,282	6,092,365
Payments:								
Loss and loss adjustments expenses for insured events of the current year	19,317	21,021	14,000	15,000	20,625	36,301	53,942	72,322
Loss and loss adjustments expenses for insured events of the prior year	11,261,931	11,773,418	988,796	1,587,172	14,422	51,718	12,265,149	13,412,308
Total payments of loss and loss adjustment expenses	11,281,248	11,794,439	1,002,796	1,602,172	35,047	88,019	12,319,091	13,484,630
Unpaid loss and loss adjustment expenses at end of year	$ 35,595,000	$ 41,424,000	$ 18,367,000	$ 19,303,000	$ 181,330	$ 164,139	$ 54,143,330	$ 60,891,139
Reserve for known claims	$ 16,185,639	$ 20,501,094	$ 8,455,824	$ 9,412,612	$ 75,350	$ 53,021	$ 24,716,813	$ 29,966,727
Reserve for incurred but not reported (IBNR)	18,164,401	19,546,121	9,831,262	9,698,296	94,382	99,703	28,090,045	29,344,120
Reserve for unallocated loss adjustment expenses (ULAE)	1,244,960	1,376,785	79,914	192,092	11,598	11,415	1,336,472	1,580,292
Total claims payable as of end of year	$ 35,595,000	$ 41,424,000	$ 18,367,000	$ 19,303,000	$ 181,330	$ 164,139	$ 54,143,330	$ 60,891,139

See notes to required supplementary information.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM

FOR THE TEN FISCAL YEAR ENDED JUNE 30, 2024 (In Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1. Contributions and investment income:										
Earned	$ 12,367	$ 15,448	$ 16,260	$ 15,074	$ 15,560	$ 19,087	$ 18,831	$ 28,263	$ 34,777	$ 40,763
Assessment	1,239	-	-	-	-	-	-	-	-	-
Ceded	(1,891)	(2,442)	(4,414)	(4,479)	(4,207)	(5,580)	(8,886)	(19,046)	(22,079)	(27,499)
Net earned and investment income	11,715	13,006	11,846	10,595	11,353	13,507	9,945	9,217	12,698	13,264
2. Unallocated expenses	1,146	1,415	1,385	1,328	1,589	1,652	2,398	2,352	2,641	2,949
3. Estimated incurred claims and expenses, end of policy year	8,982	10,716	11,500	7,400	7,383	9,363	6,935	7,419	7,007	6,439
4. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	7	7	21	19
One year later	-	-	297	-	-	2,911	243	203	202	-
Two years later	352	3,547	3,023	881	757	3,527	1,185	1,142	-	-
Three years later	1,350	12,815	3,964	4,809	3,750	3,943	5,927	-	-	-
Four years later	9,285	14,939	4,989	4,800	5,443	7,026	-	-	-	-
Five years later	10,657	15,803	13,560	7,656	8,956	-	-	-	-	-
Six years later	10,879	13,447	11,715	7,816	-	-	-	-	-	-
Seven years later	10,827	14,044	11,049	-	-	-	-	-	-	-
Eight years later	10,827	14,318	-	-	-	-	-	-	-	-
Nine years later	10,827	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	-	10,640	14,023	-	2,138	9,070	701	-	-	-
6. Reestimated claims and expenses:										
End of policy year	8,982	10,716	11,500	7,400	7,383	9,363	6,935	7,419	7,007	6,439
One year later	10,887	9,840	11,000	7,298	7,742	10,510	8,991	6,992	6,965	-
Two years later	7,190	23,000	10,437	6,809	8,365	11,349	9,979	6,267	-	-
Three years later	8,100	18,359	13,382	12,618	10,459	10,320	9,271	-	-	-
Four years later	14,232	19,121	14,174	10,639	10,416	11,331	-	-	-	-
Five years later	14,227	19,720	18,775	10,093	10,658	-	-	-	-	-
Six years later	11,002	19,276	13,814	10,241	-	-	-	-	-	-
Seven years later	10,827	18,754	12,489	-	-	-	-	-	-	-
Eight years later	10,827	21,424	-	-	-	-	-	-	-	-
Nine years later	10,827	-	-	-	-	-	-	-	-	-
7. Increase (decrease) in estimated incurred claims and expenses from end of year	$ 1,845	$ 10,708	$ 989	$ 2,841	$ 3,275	$ 1,968	$ 2,336	$ (1,152)	$ (42)	$ -

See notes to required supplementary information.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM

FOR THE TEN FISCAL YEAR ENDED JUNE 30, 2024 (In Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1. Contributions and investment income:										
Earned	$ 4,121	$ 3,786	$ 4,092	$ 4,231	$ 4,807	$ 5,494	$ 3,955	$ 2,449	$ 3,392	$ 4,801
Ceded	(473)	(365)	(430)	(449)	(383)	(617)	(673)	(850)	(861)	(888)
Net earned and investment income	3,648	3,421	3,662	3,782	4,424	4,877	3,282	1,599	2,531	3,913
2. Unallocated expenses	1,378	1,524	1,347	1,759	1,615	1,829	1,703	1,570	1,448	1,356
3. Estimated incurred claims and expenses, end of policy year	1,969	2,409	3,072	2,110	1,394	1,585	1,767	1,705	693	716
4. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	27	26	15	14
One year later	-	-	-	-	-	71	77	45	31	-
Two years later	-	-	-	-	72	88	75	46	-	-
Three years later	-	-	187	81	63	68	69	-	-	-
Four years later	-	-	269	67	53	77	-	-	-	-
Five years later	-	76	261	62	29	-	-	-	-	-
Six years later	92	70	254	65	-	-	-	-	-	-
Seven years later	106	66	264	-	-	-	-	-	-	-
Eight years later	330	81	-	-	-	-	-	-	-	-
Nine years later	344	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated claims and expenses:										
End of policy year	1,969	2,409	3,072	2,110	1,394	1,585	1,767	1,705	693	716
One year later	1,913	3,111	2,390	1,559	1,191	1,446	1,581	928	611	-
Two years later	2,402	1,900	1,871	1,372	1,173	1,437	1,191	734	-	-
Three years later	1,560	1,824	1,620	1,333	1,039	1,186	1,054	-	-	-
Four years later	2,067	1,562	1,730	1,263	972	1,186	-	-	-	-
Five years later	2,022	1,527	1,685	1,222	972	-	-	-	-	-
Six years later	1,956	1,497	1,629	1,222	-	-	-	-	-	-
Seven years later	2,047	1,377	1,636	-	-	-	-	-	-	-
Eight years later	1,968	1,551	-	-	-	-	-	-	-	-
Nine years later	2,151	-	-	-	-	-	-	-	-	-
7. Increase (decrease) in estimated incurred claims and expenses from end of year	$ 182	$ (858)	$ (1,436)	$ (888)	$ (422)	$ (399)	$ (713)	$ (971)	$ (82)	$ -

See notes to required supplementary information.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – AUTO PHYSICAL DAMAGE PROGRAM

FOR THE TEN FISCAL YEAR ENDED JUNE 30, 2024 (In Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1. Contributions and investment income:										
Earned	$ -	$ -	$ -	$ 1,165	$ 1,042	$ 330	$ 341	$ 377	$ 418	$ 465
Ceded	-	-	-	(563)	(490)	(191)	(216)	(250)	(219)	(228)
Net earned and investment income	-	-	-	602	552	139	125	127	199	237
2. Unallocated expenses	-	-	-	118	(31)	13	13	39	53	60
3. Estimated incurred claims and expenses, end of policy year	-	-	-	-	-	136	100	276	197	132
4. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	13	15	11	36	21
One year later	-	-	-	-	370	190	156	196	242	-
Two years later	-	-	-	67	370	190	179	206	-	-
Three years later	-	-	-	67	370	211	197	-	-	-
Four years later	-	-	-	67	366	213	-	-	-	-
Five years later	-	-	-	47	366	-	-	-	-	-
Six years later	-	-	-	47	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated claims and expenses:										
End of policy year	-	-	-	-	-	136	100	276	197	132
One year later	-	-	-	-	-	264	263	463	416	-
Two years later	-	-	-	-	370	245	211	341	-	-
Three years later	-	-	-	67	370	213	198	-	-	-
Four years later	-	-	-	67	366	213	-	-	-	-
Five years later	-	-	-	47	366	-	-	-	-	-
Six years later	-	-	-	47	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
7. Increase (decrease) in estimated incurred claims and expenses from end of year	$ -	$ -	$ -	$ 47	$ 366	$ 77	$ 98	$ 65	$ 219	$ -

*ICRMA introduced the APD program with Property beginning July 1, 2017. Starting on July 1, 2019, the APD program was separated. As such, combined APD/Property information is disclosed for 2018 and 2019, while separated info is provided beginning 2020. The 10 year schedule will be completed as future information becomes available.

See notes to required supplementary information.

1. RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM

The schedules represent the changes in claims liabilities for the current and past year for ICRMA's liability, workers' compensation, and auto physical damage programs. The schedules are presented on a fiscal year basis, which is the same as the policy year. For fiscal year 2024, the liability program is now using a 3% discount rate, a change from 2% used for fiscal year 2023.

2. CLAIMS DEVELOPMENT INFORMATION

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

(1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue amounts of premiums ceded and reported premiums (net of reinsurance) and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Programs including overhead and claims expenses not allocable to individual claims.

(3) This line shows the Program's gross incurred losses and allocated claim adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year).

(4) This section shows the cumulative net amounts paid as of the end of the year.

(5) This line shows the latest re-estimated amount of losses assumed by reinsurers as of the end of the current year for each insured year.

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

(7) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

The original and re-estimated cost of claims is presented on a net present value basis, the effect of which decreases over time and may cause the appearance of adverse loss development when compared to original estimates. As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature accident years. The columns of the table show data for successive accident years.

SUPPLEMENTARY INFORMATION

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF NET POSITION

AS OF JUNE 30, 2024

ASSETS	**Liability**	**Workers' Compensation**	**Property**	**Auto Physical Damage**	**Group Purchased Insurance Programs**	**Total**
Current Assets:						
Cash and Cash Equivalents	$ 9,815,674	$ 1,466,557	$ 2,466,063	$ 423,941	$ 123,307	$ 14,295,542
Investments	166,972	196,769	-	-	-	363,741
Accounts Receivable	13,422,753	103,071	18,005	5,518	18,806	13,568,153
Assessment Receivable - Current Portion	2,913,989	-	-	-	-	2,913,989
Interest Receivable	227,802	170,643	-	-	-	398,445
Prepaid Expenses	65,163	7,082	706	486	1,168	74,605
Total Current Assets	26,612,353	1,944,122	2,484,774	429,945	143,281	31,614,475
Noncurrent Assets:						
Investments	27,579,033	32,500,809	-	-	-	60,079,842
Assessment Receivable	8,791,290	-	-	-	-	8,791,290
Capital Assets						
Right-to-use Subscription IT Asset	243,941	162,628	-	-	-	406,569
Less: Accumulated Amortization	(162,628)	(108,418)	-	-	-	(271,046)
Total Capital Assets	81,313	54,210				135,523
Total Noncurrent Assets	36,451,636	32,555,019	-	-	-	69,006,655
Total Assets	63,063,989	34,499,141	2,484,774	429,945	143,281	100,621,130
LIABILITIES						
Current Liabilities:						
Accounts Payable	340,005	70,210	255,167	4,496	8,008	677,886
Member Deposits	187,732	-	-	-	-	187,732
Accrued Interest Liability	3,311	2,207	-	-	-	5,518
Subscription IT Liability - Current Portion	81,265	54,176	-	-	-	135,441
Claims Payable - Current Portion	7,916,473	1,868,000	-	85,270	-	9,869,743
Total Current Liabilities	8,528,786	1,994,593	255,167	89,766	8,008	10,876,320
Noncurrent Liabilities:						
Claims Payable - Long-term Portion	27,678,527	16,499,000	-	96,060	-	44,273,587
Total Liabilities	36,207,313	18,493,593	255,167	185,826	8,008	55,149,907
NET POSITION						
Net Investment in Capital Assets	48	34	-	-	-	82
Unrestricted	26,856,628	16,005,514	2,229,607	244,119	135,273	45,471,141
Total Net Position	$ 26,856,676	$ 16,005,548	$ 2,229,607	$ 244,119	$ 135,273	$ 45,471,223

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Liability	Workers' Compensation	Property	Auto Physical Damage	Group Purchased Insurance Programs	Total
OPERATING REVENUES:						
Member Premiums	$ 38,647,317	$ 3,121,763	$ 2,039,385	$ 465,074	$ 3,173,709	$ 47,447,248
Total Operating Revenues	38,647,317	3,121,763	2,039,385	465,074	3,173,709	47,447,248
OPERATING EXPENSES:						
Claims Expense	5,452,248	66,796	240,000	52,238	-	5,811,282
Insurance Expense	27,499,156	887,855	1,209,465	227,659	2,995,518	32,819,653
Broker Fees	125,057	89,327	3,828	3,828	33,178	255,218
Claims Administration	1,026,827	669,207	13,921	13,921	-	1,723,876
Program Administration	877,799	368,840	36,884	24,589	61,474	1,369,586
General & Administrative Expense	838,250	174,462	13,215	17,955	6,554	1,050,436
Amortization	81,314	54,209	-	-	-	135,523
Total Operating Expenses	35,900,651	2,310,696	1,517,313	340,190	3,096,724	43,165,574
Operating Income	2,746,666	811,067	522,072	124,884	76,985	4,281,674
NONOPERATING REVENUES/EXPENSES:						
Investment Income, Net	2,115,489	1,679,542	44,299	-	-	3,839,330
Interest Expense	(3,329)	(2,220)				(5,549)
Other Income	42	-	-	-	-	42
Total Nonoperating Revenues/Expenses	2,112,202	1,677,322	44,299	-	-	3,833,823
Change in Net Position	4,858,868	2,488,389	566,371	124,884	76,985	8,115,497
Net Position, Beginning of Year	21,997,808	13,517,159	1,663,236	119,235	58,288	37,355,726
Net Position, End of Year	$ 26,856,676	$ 16,005,548	$ 2,229,607	$ 244,119	$ 135,273	$ 45,471,223

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Liability	Workers' Compensation	Property	Auto Physical Damage	Group Purchased Insurance Programs	Total
Cash Flows from Operating Activities:						
Cash Received from Members for Premiums	$ 41,561,348	$ 3,121,763	$ 2,039,385	$ 465,966	$ 3,173,709	$ 50,362,171
Cash Payments to Suppliers for Services	(31,053,651)	(1,828,346)	(1,013,576)	(279,076)	(3,095,389)	(37,270,038)
Cash Payments Relating to Claims and Claim Administration	(23,712,484)	(1,660,021)	(253,921)	(48,968)	-	(25,675,394)
Net Cash Provided By (Used For) Operating Activities	(13,204,787)	(366,604)	771,888	137,922	78,320	(12,583,261)
Cash Flows from Capital and Related Financing Activities:						
Cash Payments for Principal on Subscription IT Liabilities	(78,092)	(52,061)	-	-	-	(130,153)
Cash Payments for Interest on Subscription IT Liabilities	(6,493)	(4,330)	-	-	-	(10,823)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(84,585)	(56,391)	-	-	-	(140,976)
Cash Flows from Investing Activities:						
Purchases of Investments	(39,601,689)	(30,678,978)	-	-	-	(70,280,667)
Proceeds from Investment Sales and Maturities	44,614,415	30,508,081	-	-	-	75,122,496
Interest Income Received	784,298	292,544	44,299	-	-	1,121,141
Net Cash Provided By Investing Activities	5,797,024	121,647	44,299	-	-	5,962,970
	#					
Net Increase (Decrease) in Cash and Cash Equivalents	(7,492,348)	(301,348)	816,187	137,922	78,320	(6,761,267)
Cash and Cash Equivalents, Beginning of Year	17,308,022	1,767,905	1,649,876	286,019	44,987	21,056,809
Cash and Cash Equivalents, End of Year	$ 9,815,674	$ 1,466,557	$ 2,466,063	$ 423,941	$ 123,307	$ 14,295,542
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:						
Operating income	$ 2,746,666	$ 811,067	$ 522,072	$ 124,884	$ 76,985	$ 4,281,674
Adjustments:						
Amortization	81,314	54,209	-	-	-	135,523
Adjustment to net cash used by operating activities:						
(Increase) Decrease in Accounts/Assessment Receivable	(8,490,420)	11,982	-	-	-	(8,478,438)
(Increase) Decrease in Prepaid Expenses	(52,821)	(1,080)	206	124	(689)	(54,260)
(Decrease) Increase in Accounts Payable	(1,636,949)	(306,782)	249,610	(4,277)	2,024	(1,696,374)
(Decrease) Increase in Member Deposits	6,423	-	-	-	-	6,423
(Decrease) Increase in Accrued Expenses	(30,000)	-	-	-	-	(30,000)
(Decrease) Increase in Claims Payable	(5,829,000)	(936,000)	-	17,191	-	(6,747,809)
Net Cash Provided By (Used For) Operating Activities	$ (13,204,787)	$ (366,604)	$ 771,888	$ 137,922	$ 78,320	$ (12,583,261)
Schedule of Non-Cash Investment, Capital, and Financing activities						
Unrealized gain (loss) in market values of investments	$ 1,277,794	$ 1,325,273	$ -	$ -	$ -	$ 2,603,067

Report of Independent Auditors 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*

The Board of Directors
Independent Cities Risk Management Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Independent Cities Risk Management Authority ("Authority") as of and for the year ended June 30, 2024, and the related notes to the financial statements and have issued our report thereon dated October 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent Cities Risk Management Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent Cities Risk Management Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent Cities Risk Management Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent Cities Risk Management Authority'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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Moss Adams LLP

Sacramento, California
October 31, 2024