

SCHOOLS INSURANCE GROUP

FINANCIAL STATEMENTS

June 30, 2020 and 2019

SCHOOLS INSURANCE GROUP
Auburn, California

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Schools Insurance Group
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Schools Insurance Group as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Schools Insurance Group's basic financial statements as listed in the table of contents.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the *State Controller's Minimum Audit Requirements for California Special Districts* 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schools Insurance Group, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

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 3 through 7, Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability on page 33, the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 34, the Schedule of the Group's Contributions on page 35, the Reconciliation of Claims Liability by Type of Contract on pages 36 through 38, and the Claims Development Information on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 audits of the 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 audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Statements of Net Position and Combining Statements of Revenues, Expenses and Change in Net Position are presented on pages 44 through 47 for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations and are not a required part of the combined financial statements.

The Combining Statements of Net Position and Combining Statements of Revenues, Expenses and Change in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 on our consideration of the Schools Insurance Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Schools Insurance Group's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools Insurance Group's internal control over financial reporting and compliance.


Crowe LLP

Simsbury, Connecticut
January 15, 2021

Schools Insurance Group

Management's Discussion and Analysis

Fiscal Years 2019-20 and 2018-19

The Authority—An Overview

Schools Insurance Group (SIG) was formed in 1978 as a response to the rapidly escalating costs of insurance. SIG's legal name is School Risk and Insurance Management Group however operates under the name of Schools Insurance Group. SIG is a quasi-governmental agency called a Joint Powers Authority (JPA) and was formed by the school districts and county offices in Placer and Nevada counties to provide insurance to its members.

Currently, SIG is comprised of 31 voting members (including two school districts in El Dorado County, one in Yuba County and one in Sacramento County) participating in three individual programs:

- Property/Liability Coverage
- Workers' Compensation Coverage
- Employee Benefits (medical/dental/vision/life)

In addition, SIG has invested in a building in Auburn that houses its administrative offices and provides additional office space for commercial lease.

A nine member Executive Committee, elected for a two-year term by the Joint Powers Board, governs Schools Insurance Group. The full Joint Powers Board is comprised of a representative and alternate for each member district, as designated by the School District's Governing Board. The Joint Powers Board also elects a President, Vice President and Secretary/Treasurer from the members of the Executive Committee for a one-year term.

The Executive Committee is responsible for the ongoing operations of SIG and is empowered to implement and enforce all provisions of the Joint Powers Agreement, SIG bylaws and all approved Board policies. The Executive Committee has delegated the responsibility of the daily operation of SIG to the Executive Director.

Description of Financial Statements

The annual financial report consists of five parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Supplementary Information.

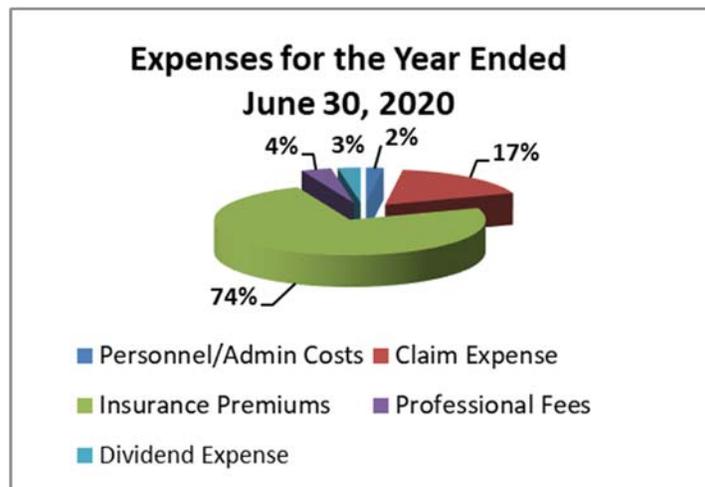
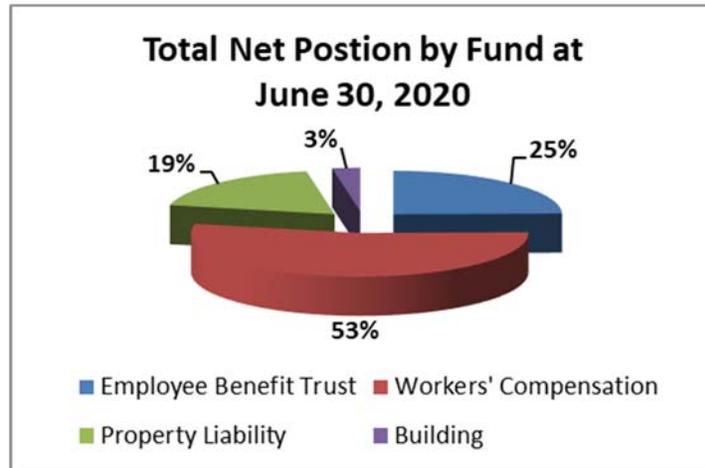
- This is the Management's Discussion and Analysis where SIG's financial activities are explained, based on currently known facts and conditions.
- The notes to the financial statements are an integral part of the financial statements and provide details on SIG membership, accounting policies, claim reserves and IBNRs (incurred but not reported), net pension liability, other postemployment benefits, and other information in the statements.

- The financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position and the Statement of Cash Flows, using the direct method for the operations of Schools Insurance Group for the fiscal years ending June 30, 2020 and 2019. These statements give an overall financial picture of SIG compared to the prior fiscal year. These can be used to quickly assess the financial performance over the reported fiscal year.
- The required supplementary information includes the schedules of Changes in Total Other Postemployment Benefits Liability, the Group's Proportionate Share of the Net Pension Liability and Contributions, Claims Liabilities by Type of Contract for the fiscal years ended June 30, 2020 and 2019 and Claims Development Information for self-insured program years by type of fund for the recent ten years.
- The supplementary information includes the Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Change in Net Position for fiscal years ended June 30, 2020 and 2019. Accounting for the individual programs is maintained internally to show the performance and activity of each fund.

Statement of Net Position

June 30, 2020, 2019, and 2018

	2020	2019	% Change	2018	% Change
ASSETS					
Current assets	\$ 73,174,703	\$ 69,520,164	5.26%	\$ 65,612,658	5.96%
Investments maturing after one year	37,406,862	34,189,291	9.41%	33,923,250	0.78%
Deposits in SCEL P	0	0	0.00%	0	0.00%
Capital assets, net	1,192,966	1,257,192	-5.11%	1,227,445	2.42%
Total assets	111,774,531	104,966,647	6.49%	100,763,353	4.17%
Deferred Outflows of Resources	288,284	302,925	-4.83%	342,409	-11.53%
LIABILITIES					
Current liabilities	11,483,232	9,460,330	21.38%	8,720,579	8.48%
Total non-current liabilities	29,967,108	29,244,526	2.47%	26,118,736	11.97%
Total liabilities	41,450,340	38,704,856	7.09%	34,839,315	11.10%
Deferred Inflows of Resources	73,223	68,338	7.15%	63,352	7.87%
NET POSITION	\$ 70,539,252	\$ 66,496,378	6.08%	\$ 66,203,095	0.44%



Analysis of Balances and Transactions of Individual Programs

Employee Benefit Trust

There was an increase in net position of \$2,350,751 for the current fiscal year. This was primarily due to a decrease in claims in both the dental and vision plans that are self-insured. The significant decrease in utilization was due to COVID-19 restrictions in the 4th quarter, April – June 2020. For the 2018-19 fiscal year, there was an increase in net position of \$885,082.

Workers' Compensation Program

There was an increase in net position for the current year of \$1,707,535 compared to the 2018-19 increase in net position of \$596,569. Paid claims were significantly down from prior year mainly due to school staff working remotely, or not at all during the 4th quarter of the program year. Additionally, claims have developed more favorably overall than expected as per our actuary. SIG continues to implement new programs to reduce the severity of claim costs. These programs include school safety/regulatory compliance/risk management services through PublicSchoolWORKS, the Return-to-Work Program (OUR System); third-party administrators with an emphasis on closing claims; a Medical Provider Network with protocols for the treating physicians; Utilization Review for questionable medical procedures and the Critical Claims Committee. The financial impact of these programs has been substantial and SIG has been making significant progress in closing out old claims in addition to mitigating costs associated with new claims and reducing the number of claims overall. The SIG Workers' Compensation Program is currently in a very strong position, with equity in excess of the Targeted Equity Policy thus the Joint Powers Board authorized a dividend to member districts to return excess funds.

Property and Liability Program

The program experienced a decrease in net position of \$101,144. For the 2018-19 fiscal year, there was a decrease in net position of \$1,246,465 mainly a result of increasing reserve levels on outstanding claims due to the increasing severity of claims and to ensure that SIG is maintaining funding adequacy. This increase in reserve levels in 2018-19 helped to stabilize the program for the 2019-20 program year.

Building Program

There was an increase in net position of \$85,732. In the 2018-19 fiscal year, there was an increase in net position of \$58,097. The building is projected to be at 73% occupancy as of October 2020 due to lease non-renewals. Office leasing has slowed due to COVID.

Analysis of Overall Financial Position and Results of Operations

Total net position in SIG increased by \$4,042,874 between 2020 and 2019 and increased \$293,283 between 2019 and 2018. The significantly larger increase in the current year is due to substantial increases to net position in the Employee Benefit and the Workers' Compensation programs. Total liabilities increased by \$2,745,484 between 2020 and 2019 as a result of declaring a dividend in the Workers' Compensation program in the amount of \$2,572,500. At June 30, 2020, approximately \$37.4 million of investments were classified as long-term with terms between one and five years. This is up moderately from the approximately \$34.2 million of long term investments for the 2019 fiscal year.

Member contributions for SIG increased by 7.1% for the 2020 fiscal year from 2019, and decreased 1.54% for the 2019 fiscal year as compared to 2018. The increase in the current period is the result of rate increases in the Employee Benefit and Property and Liability programs, and increased payrolls in the Workers' Compensation program.

Administrative and Personnel expenses were 2.0% of member contributions for the 2020 fiscal year which is the same percentage experienced in the 2019 fiscal year.

Insurance Market Condition and Economic Outlook

Events of 2020 have impacted the insurance marketplace in unforeseen ways. COVID, wildfire, legislation, and regulation continue to influence the availability and cost of SIG's self-insured and insurance costs.

The primary driver for medical plan costs is the uncertainty of the impact of COVID. As healthcare organizations adapt to a different landscape, and as medical insurance carriers react to shifting care models and delivery of health benefits, SIG's cost for the fully-insured plans provided to its participating members will also evolve. SIG partners closely with its medical plan carriers as well as local healthcare organizations and medical providers to foster proactive thinking and action. The ultimate impact of COVID and other factors is unknown at this time, and SIG is taking the initiative to explore ways to maintain stable costs for subscribers and their families.

The Property Casualty market has hardened not only due to wildfires and large loss trends in California, but also to the uncertainty of the impact of COVID. SIG has had to make minor adjustments to self-insured retention levels for some coverages, although the impact to members is mitigated due to SIG's strong financial position as well as comprehensive risk prevention and mitigation strategies. SIG's capacity is adequate to meet the needs of our member districts. Work will continue to ensure the long-term stability of the JPA as markets are expected to react for upcoming renewals, with SIG always looking for ways to continue to provide broad coverage in the most cost effective way.

COVID's reach is also impacting Workers' Compensation, although costs will continue to be stable in 2020-2021. Statutory changes in the Workers' Compensation environment have been minimal, however there has been an uptick in regulatory activity which is anticipated to continue through the COVID pandemic. Initial outcomes indicate a drop in employee injuries, although the ultimate impact from the reaction to COVID and other factors remains to be seen.

New housing starts in SIG's service areas have increased. SIG anticipates that student attendance and number of employees will increase, primarily due to growth in the South Placer region.

Capital Assets

In May of 1995, Schools Insurance Group purchased an office building in Auburn, CA to house its administrative office. The building has a total of approximately 27,000 sq ft of rentable space divided into 24 individual offices. The building was 96% occupied as of the end of June 2020, and is projected to be at 73% occupancy as of October 2020 due to lease non-renewals. Office leasing has slowed due to COVID, and the majority of the tenants are on a month-to-month basis. The book value of our real property, office furniture, and vehicles totals \$1,192,966 as of June 30, 2020.

FINANCIAL STATEMENTS

SCHOOLS INSURANCE GROUP
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 66,947,976	\$ 62,612,734
Investments (Notes 3 and 4)	2,394,621	3,432,483
Receivables:		
Members	1,756,091	1,261,652
Interest	238,079	316,412
Excess insurance	(71,028)	10,174
Prepaid expenses	1,908,964	1,886,709
Total current assets	73,174,703	69,520,164
Noncurrent assets:		
Investments maturing after one year (Notes 3 and 4)	37,406,862	34,189,291
Non-depreciable premises and equipment (Note 5)	300,000	300,000
Depreciable premises and equipment, net (Note 5)	892,966	957,192
Total assets	111,774,531	104,966,647
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – OPEB (Note 7)	16,673	17,018
Deferred outflows of resources – pension (Note 8)	271,611	285,907
Total deferred outflows of resources	288,284	302,925
LIABILITIES		
Current liabilities:		
Accounts payable	424,378	602,096
Unearned revenue	29,707	148,209
Dividend payable	2,572,500	-
Current portion of unpaid claims and claim adjustment expenses (Note 6)	8,456,647	8,710,025
Total current liabilities	11,483,232	9,460,330
Unpaid claims and claim adjustment expenses, net of current portion (Note 6)	28,819,253	28,180,575
Net pension liability (Note 8)	960,759	878,160
Other postemployment benefits (Note 7)	187,096	185,791
Total liabilities	41,450,340	38,704,856
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – OPEB (Note 7)	(305)	7,660
Deferred inflows of resources – pension (Note 8)	73,528	60,678
Total deferred inflows of resources	73,223	68,338
NET POSITION		
Net position:		
Net investment in capital assets	1,192,966	1,257,192
Unrestricted	69,346,286	65,239,186
Total net position	\$ 70,539,252	\$ 66,496,378

See accompanying notes to financial statements.

SCHOOLS INSURANCE GROUP
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Member contributions	\$ 95,394,340	\$ 89,069,764
Operating expenses:		
Claims expense	16,574,947	21,078,325
Insurance premiums	70,077,599	65,526,768
Professional fees	2,317,864	2,403,182
Risk management fees	1,099,412	1,088,303
Dividend expense	2,572,500	-
General and administrative expenses (Note 9)	<u>1,987,387</u>	<u>1,865,139</u>
Total operating expenses	<u>94,629,709</u>	<u>91,961,717</u>
Operating income (loss)	764,631	(2,891,953)
Non-operating revenues:		
Investment income	3,027,378	2,960,449
Rental income (Note 11)	245,279	224,772
Other income	<u>5,586</u>	<u>15</u>
Total non-operating revenues	<u>3,278,243</u>	<u>3,185,236</u>
Change in net position	4,042,874	293,283
Net position, beginning of year	<u>66,496,378</u>	<u>66,203,095</u>
Net position, end of year	<u>\$ 70,539,252</u>	<u>\$ 66,496,378</u>

See accompanying notes to financial statements.

SCHOOLS INSURANCE GROUP
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from members and others	\$ 94,862,601	\$ 89,530,707
Cash paid for claims	(16,189,647)	(17,451,740)
Cash paid for insurance premiums	(70,277,572)	(63,714,379)
Cash paid for contract services	(2,317,864)	(2,403,182)
Cash paid for risk management	(1,099,412)	(1,088,303)
Cash paid for general and administrative	(681,538)	(708,005)
Cash paid to employees for services	<u>(1,096,890)</u>	<u>(1,010,084)</u>
Net cash provided by operating activities	3,199,678	3,155,014
Cash flows from capital and related financing activities:		
Purchase of premises and equipment	(47,604)	(131,647)
Proceeds from disposal of premises and equipment	<u>6,301</u>	<u>-</u>
Net cash used in financing activities	(41,303)	(131,647)
Cash flows from investing activities:		
Investment income received	2,131,786	1,727,464
Purchase of investments	(22,690,341)	(16,063,481)
Sale of investments	21,484,557	15,390,502
Rental income	245,279	224,772
Other cash received	<u>5,586</u>	<u>15</u>
Net cash provided by investing activities	<u>1,176,867</u>	<u>1,279,272</u>
Net increase in cash and cash equivalents	4,335,242	4,302,639
Cash and cash equivalents, beginning of year	<u>62,612,734</u>	<u>58,310,095</u>
Cash and cash equivalents, end of year	<u>\$ 66,947,976</u>	<u>\$ 62,612,734</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 764,631	\$ (2,891,953)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation	105,529	101,900
(Increase) decrease in members' receivable	(494,439)	282,657
Decrease in excess insurance receivable	81,202	31,323
(Increase) decrease in prepaid expenses	(22,255)	1,721,076
Decrease in deferred outflow	14,641	39,484
(Increase) decrease in accounts payable	(177,718)	91,313
Increase in dividend payable	2,572,500	-
(Decrease) increase in unearned revenue	(118,502)	146,963
Increase (decrease) in net pension liability	82,599	(31,311)
Increase in total OPEB liability	1,305	31,991
Increase in unpaid claims and claim adjustment expenses	385,300	3,626,585
Increase in deferred inflow	<u>4,885</u>	<u>4,986</u>
Total adjustments	2,435,047	6,046,967
Net cash provided by operating activities	<u>\$ 3,199,678</u>	<u>\$ 3,155,014</u>
Supplemental Information:		
Change in fair value of investments	<u>\$ 973,925</u>	<u>\$ 1,152,701</u>

See accompanying notes to financial statements.

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Schools Insurance Group (the Group or SIG) was established by a Joint Powers Agreement on December 28, 1978, for the operation of a common risk management and insurance program for member school districts, transportation agencies, county offices of education and a community college. Member districts may elect to participate in these programs. The Group's general objectives are to formulate, develop and administer, on behalf of the members, a program providing for indemnity coverage. Currently, the Group has 35 members (31 voting members), 33 who participate in Workers' Compensation, 26 members who participate in Employee Benefits, and 31 members who participate in Property/Liability programs. The member school districts share proportionately in the assets and liabilities of the Group in the event of dissolution or dividends issued.

Schools Insurance Group is a California public entity as provided in Internal Revenue section 115; thus, it is tax-exempt. The California Office of the Controller, Division of Local Government Fiscal Affairs, for the purpose of filing an Annual Report of Financial Transactions of Special Districts, considers the Group to be a "Special District."

Admission and Withdrawal

Admission - Under the Group's Joint Powers Agreement, new members may be admitted by a two-thirds vote of the voting members and recommendation of the Executive Committee.

Withdrawal - Upon entry into the Group, members may not voluntarily withdraw for a period of three years. Members must submit six months written notice prior to voluntary withdrawal. Members may be expelled by a two-thirds vote. The effect of withdrawal does not terminate the responsibility of the member for any unpaid premiums and debts or assessments levied against its years of participation.

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and the related liabilities are recognized when the obligation is incurred.

Reporting Entity: The Group has reviewed the criteria developed by the Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) 2100, relating to the financial reporting entity to determine whether it is financially accountable for other entities. The Group has determined that no other outside entity meets the above criteria and, therefore, none has been included as a component unit in the financial statements. In addition, the Group is not aware of any entity that would be financially accountable for the Group that would result in the Group being considered a component unit of that entity.

Description of Programs

Workers' Compensation Program - The Workers' Compensation program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Workers' Compensation program is established and maintained for member contributions, to be used for the payment of, but not limited to, the following:

- Self-insured claim payments
- Insurance premiums
- Claims administration expenses
- Investigative costs
- Legal costs
- Audit costs
- Miscellaneous

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2020, 33 members participate in the Workers' Compensation program. Each member pays the Group monthly contributions based on the following formula:

$$\text{Required Income}/(\text{Experience Modification Factor} \times \text{District Payroll})$$

The Experience Modification Factor is calculated annually to reflect the loss experience of each member agency as compared to the loss experience of the Group as a whole.

Member Deductible	\$0 per occurrence
Self Insured Retention	\$1 million per occurrence
Excess	\$1 million to state statutory limit

Property/Liability Program - The Property/Liability program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Property/Liability program is established and maintained for member contributions, to be used for the payment of, but not limited to, the following:

- Self-insured claim payments
- Insurance premiums
- Claims administration expenses
- Investigative costs
- Legal costs
- Expert witness fees
- Audit costs
- Broker fees
- Property appraisal fees
- Miscellaneous

As of June 30, 2020, 31 members participate in the Property/Liability program. The Executive Committee determines contribution requirements annually for the Property/Liability program and recommends to the Joint Powers Board contribution amounts per district adequate to fund for insurance premiums and projected losses.

Member Deductible	\$1,000 to \$2,000/\$25,000 per occurrence (varies)
Self Insured Retention Property	\$100,000 per occurrence
Self Insured Retention Liability	\$1,000,000 per occurrence
Excess Property	\$100,001 to replacement value per occurrence
Excess Liability	\$1,000,001 to \$55 million per occurrence

Employee Benefit Program - The Employee Benefit program was established for the purpose of operating and maintaining a self-insurance or group insurance program (dental, vision, medical, etc.). The Employee Benefit program is established and maintained for member contributions, to be used for the payment of, but not limited to, the following:

- Medical insurance premium
- Self-funded claim payments for dental and vision
- Claims administration fees
- Group operating expenses
- Eligibility expenses
- Miscellaneous

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2020, 26 districts participate in the Employee Benefit program. District contribution rates are based on amounts that adequately cover anticipated incurred claims and attendant expenses of the program. The rates, once established for the fiscal year, shall not be increased for that year. As this program is fully-insured, SIG does not have any exposure in this program beyond the monthly contributions.

Cash Equivalents: Cash equivalents are investments readily convertible into known amounts of cash with original maturities at date of purchase of three months or less.

Fair Value of Pooled Investments: The Group records its deposits in the Placer County Treasury at fair value. Changes in fair value are reported as revenue in the statements of revenues, expenses and change in net position. The fair value of pooled investments at June 30, 2020 and 2019 approximated their carrying value.

Fair Value of Investments: The Group records its investment securities at fair values. Changes in fair value are reported as revenue in the statements of revenues, expenses and change in net position.

Prepaid Expenses: Insurance premiums paid by the Property/Liability Program and the Workers' Compensation Program for excess insurance policies are charged to expense over the policy period. Other charges paid are charged to the contract period.

Premises and Equipment: Premises and equipment are carried at cost and capitalized for amounts over \$5,000. Depreciation is computed on the straight-line method with useful lives of three to 30 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

Accrued Vacation: The Group's vacation policy provides for the accumulation of earned vacation leave with such leave being fully vested the first day of employment. A liability for accrued vacation has been computed and recorded based on unused vacation hours at the current rate of pay.

Accumulated sick leave benefits are not recognized as liabilities by the Group. Sick leave is recorded as an operating expense in the period taken.

Dividends: Dividends are recorded when declared and are shown as a liability in the statements of net position. The Group declared dividends in the amount of \$2,572,500 during the year ended June 30, 2020. The Group did not declare dividends during the year ended June 30, 2019.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements of net position include a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The Group has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the total OPEB liability and net pension liability reported which is in the statements of net position.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The Group has recognized a deferred inflow of resources related to the total OPEB liability and net pension liability reported which is in the statements of net position.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous 2% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund C and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Pool. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Provision for Unpaid Claims and Claim Adjustment Expenses: The Group's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims 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. The Group increases the liability for allocated and unallocated claim adjustment expenses. Because actual claims costs depend on such complex factors as inflation, changes in doctrine of legal liability and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for coverages such as general liability and workers' compensation. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The portion of claims considered currently payable has been actuarially determined.

Excess Insurance: The Group enters into excess insurance agreements, whereby it cedes various amounts of risk to other insurance companies or joint powers authorities. As of June 30, 2020 and 2019, the Group's Property, Liability and Workers' Compensation Programs provide self-insured retention of \$100,000, \$1,000,000 and \$1,000,000 per incident, respectively. Risks ceded to other entities are treated as though they were not risks for which the Group is liable. Settlements have not exceeded insurance coverage in each of the past three years.

Revenue Recognition: Contributions are recognized as revenue when earned based upon the coverage period of the related insurance. To the extent that allocated losses exceed contributions previously paid and interest and other income, the Group may assess its member's additional premiums. Operating revenues and expenses include all activities necessary to achieve the objectives of the Group. Non-operating revenues include investment activities and other non-essential activity. Operating and non-operating revenues are recognized as revenue when earned.

Income Taxes: The Group is an organization comprised of public agencies and is exempt from Federal income and California franchise taxes. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

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. These estimates and assumptions 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 these estimates.

Subsequent Events: The Group has reviewed all events occurring from June 30, 2020 through January 15, 2021, the date the financial statements were available to be issued. No subsequent event occurred requiring accrual or disclosure.

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SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash in County Treasury	\$ 60,326,195	\$ 59,540,223
Cash on hand and in banks	<u>6,621,781</u>	<u>3,072,511</u>
Total cash and cash equivalents	<u>\$ 66,947,976</u>	<u>\$ 62,612,734</u>

Cash in County Treasury: In accordance with the Joint Powers Agreement, the Group maintains substantially all of its cash in the Placer County Treasury. The County pools these funds with those of other governmental units in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into the funds of participating programs. Any investment losses are proportionately shared by all programs in the pool.

Because the Group's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Group's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the Group, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable State laws, the Placer County Treasurer may invest in derivative securities. However, at June 30, 2020 and 2019, the Placer County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Cash in Bank: The Group limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the Group's accounts were \$6,621,781 and the bank balances were \$7,697,637, of which \$7,163,535 was uninsured but collateralized. At June 30, 2019, the carrying amount of the Group's accounts were \$3,072,511 and the bank balances were \$5,091,818, of which \$4,341,818 was uninsured but collateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

As of June 30, 2020 and 2019, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the relatively short maturities of these financial instruments or the associated variable rates of interest.

Assets Recorded at Fair Value: The following table presents information about the Group's assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	Fair Value Measurements at June 30, 2020, Using			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Corporate bonds	\$ 10,496,570	\$ -	\$ 10,496,570	\$ -
U.S. Government sponsored entities and agencies	15,001,080	-	15,001,080	-
Commercial asset-backed securities	2,126,464	-	2,126,464	-
Municipal bond	1,306,485	-	1,306,485	-
Certificates of deposit	2,008,538	-	2,008,538	-
Supra-national agency bond	557,859	-	557,859	-
Government asset-backed securities	<u>8,304,487</u>	<u>-</u>	<u>8,304,487</u>	<u>-</u>
Total	<u>\$ 39,801,483</u>	<u>\$ -</u>	<u>\$ 39,801,483</u>	<u>\$ -</u>
	Fair Value Measurements at June 30, 2019, Using			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Corporate bonds	\$ 11,269,497	\$ -	\$ 11,269,497	\$ -
U.S. Government sponsored entities and agencies	14,017,998	-	14,017,998	-
Commercial asset-backed securities	2,883,245	-	2,883,245	-
Municipal bond	431,634	-	431,634	-
Certificates of deposit	4,265,098	-	4,265,098	-
Supra-national agency bond	2,352,195	-	2,352,195	-
Government asset-backed securities	<u>2,402,107</u>	<u>-</u>	<u>2,402,107</u>	<u>-</u>
Total	<u>\$ 37,621,774</u>	<u>\$ -</u>	<u>\$ 37,621,774</u>	<u>\$ -</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Fair value for the Level 2 investment securities was provided by a third party pricing source which generally uses models or matrices to price these type of investments. The significant inputs used to determine valuation for these types of assets, listed in approximate order of priority for use when available, include benchmark yields, reported trades, broker/dealer quotes, issuer spreads and reference data including market research publications (Level 2).

NOTE 4 - INVESTMENTS

Investment Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Group's investment policy mandates that investment maturities will be no more than five years from purchase date to maturity date. Investment maturities are based on a review of cash flow forecasts and are scheduled so as to permit the Group to meet all projected obligations.

Maturities of investments held at June 30, 2020 consist of the following:

	Maturity		
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year Through Five Years</u>
Investment securities:			
Corporate bonds	\$ 10,496,570	\$ 1,019,598	\$ 9,476,972
U.S. Government sponsored entities and agencies	15,001,080	-	15,001,080
Commercial asset-backed securities	2,126,464	61,873	2,064,591
Municipal bond	1,306,485	432,935	873,550
Certificates of deposit	2,008,538	768,461	1,240,077
Supra-national agency bond	557,859	111,754	446,105
Government asset-backed securities	<u>8,304,487</u>	<u>-</u>	<u>8,304,487</u>
	<u>\$ 39,801,483</u>	<u>\$ 2,394,621</u>	<u>\$ 37,406,862</u>

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SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4 - INVESTMENTS (Continued)

Maturities of investments held at June 30, 2019 consist of the following:

	Maturity		
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year Through Five Years</u>
Investment securities:			
Corporate bonds	\$ 11,269,497	\$ 1,807,994	\$ 9,461,503
U.S. Government sponsored entities and agencies	14,017,998	-	14,017,998
Commercial asset-backed securities	2,883,245	20,338	2,862,907
Municipal bond	431,634	-	431,634
Certificates of deposit	4,265,098	1,603,825	2,661,273
Supra-national agency bond	2,352,195	-	2,352,195
Government asset-backed securities	2,402,107	326	2,401,781
	<u>\$ 37,621,774</u>	<u>\$ 3,432,483</u>	<u>\$ 34,189,291</u>

Investment Credit Risk: It is the Group's general investment policy to apply the prudent person standard; investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. California law places minimum credit rating requirements on various investment types and the Group's Investment Policy places additional limits. Credit criteria in the Group's Investment Policy includes the following restrictions: medium-term corporate notes, municipal obligations, and negotiable certificates of deposit must be rated in a rating category of "A" or the equivalent or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO), asset-backed securities and supranationals must be rated in a rating category of "AA" or the equivalent or better by at least one NRSRO, and commercial paper must be rated at least A-1 or the equivalent. If the investment subsequently is downgraded below an "A" rating, the Executive Director shall notify the Executive Committee upon learning of the downgrade. As of June 30, 2020 and 2019, investments held by the Group met the rating requirements described above.

Concentration of Investment Credit Risk: The Group limits the amount that can be invested in corporate obligations to no more than 30% of the Group's investment portfolio. No more than 5% of the Group's total investment portfolio plus its cash in Placer County Treasury will be invested in a single issuer or with a single financial institution, excluding instruments in U.S. Treasuries, Federal Agencies, repurchase agreements, supranationals, and pooled investments. At June 30, 2020 and 2019, the Group had the following investments that represent more than 5% of the Group's net investments:

	<u>2020</u>	<u>2019</u>
United States Treasury	38%	37%

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SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Non-depreciable:		
Land	\$ 300,000	\$ 300,000
Depreciable:		
Building and improvements	2,341,136	2,294,420
Office equipment and furniture	415,025	414,137
Vehicles	<u>-</u>	<u>17,855</u>
Subtotal	3,056,161	3,026,412
Less accumulated depreciation	<u>(1,863,195)</u>	<u>(1,769,220)</u>
	<u>\$ 1,192,966</u>	<u>\$ 1,257,192</u>

Activity for premises and equipment for the years ended June 30, 2020 and 2019 included the following:

	<u>2020</u>	<u>2019</u>
Premises and equipment, beginning of year	\$ 1,257,192	\$ 1,227,445
Purchases	47,604	131,647
Disposals	(6,301)	-
Current year depreciation	<u>(105,529)</u>	<u>(101,900)</u>
Premises and equipment, end of year	<u>\$ 1,192,966</u>	<u>\$ 1,257,192</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 - UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, the Group established a liability for both reported and unreported insured events for the respective programs. The following represents changes in those aggregate liabilities during the years ended June 30, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 36,890,600	\$ 33,264,015	\$ 31,660,112
Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	18,511,706	20,458,824	20,602,091
Change in provision for covered events of prior years	<u>(1,936,759)</u>	<u>619,501</u>	<u>(2,852,572)</u>
Total incurred claims and claim adjustment expenses	16,574,947	21,078,325	17,749,519
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	8,365,417	10,133,844	10,160,295
Claims and claim adjustment expenses attributable to covered events of prior years	<u>7,824,230</u>	<u>7,317,896</u>	<u>5,985,321</u>
Total payments	<u>16,189,647</u>	<u>17,451,740</u>	<u>16,145,616</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 37,275,900</u>	<u>\$ 36,890,600</u>	<u>\$ 33,264,015</u>

There are no liabilities established for workers' compensation claims incurred from July 1, 1995 through June 30, 1999 as the workers' compensation program was fully insured for that period.

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

	<u>2020</u>	<u>2019</u>
Reported claims	\$ 15,843,529	\$ 16,018,136
Claims incurred but not reported (IBNR)	19,415,841	18,882,715
Unallocated loss adjustment expenses (ULAE)	<u>2,016,530</u>	<u>1,989,749</u>
	37,275,900	36,890,600
Current portion	<u>(8,456,647)</u>	<u>(8,710,025)</u>
	<u>\$ 28,819,253</u>	<u>\$ 28,180,575</u>

At June 30, 2020 and 2019, the liability was reported at the present value using an expected future investment yield assumption of 3% for the Worker's Compensation Program and 2% for the Property and Liability Program. The undiscounted liability at June 30, 2020 and 2019 is \$41,856,150 and \$41,178,198, respectively. The current portion of the claims liabilities has been estimated at the amount of claims paid in the current year and consideration of any known future claims payments actuarially determined.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 - UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES (Continued)

As a result of changes in estimates of insured events in prior years, incurred losses and loss adjustment expenses decreased by \$1,936,759 in 2020, which was primarily due to favorable loss development on workers' compensation claims. As a result of changes in estimates of insured events in prior years, incurred losses and loss adjustment expenses increased by \$619,501 in 2019, which was primarily due to unfavorable loss development on property/liability claims.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Plan Description: In addition to the pension benefits described in Notes 8, the Group subsidized the cost of retiree medical coverage for a closed group. The plan does not issue separate financial statements. The Group's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The Group's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2020, the Group has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the Group's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2020:

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	4
Inactive employees/dependents entitled to but not yet receiving benefits	-
Active employees	<u>7</u>
	<u>11</u>

Benefits Provided: The Group provides coverage to employees who satisfy the requirements for retirement under CalPERS. CalPERS retirement requires attainment of age 50 with 5 years of State or public agency service or approved disability retirement.

Employees hired prior to July 1, 1990 who retire with a minimum of 15 years of service with the Group receive 100% of the employee-only medical premium paid by the Group for their lifetime. Such retirees may pay the additional cost to cover dependents and/or continue their dental or vision coverage. Other employees who retire from SIG at age 59 or older may receive up to \$10,000 payable from a retiree Health Reimbursement Account (HRA). The retiree is responsible for paying 100% of his or her health premiums but may direct amounts to be withdrawn from the HRA to be applied toward the premiums until such HRA is exhausted. All other employees not meeting the requirements above who elect to continue some or all of their healthcare coverage in retirement must do so entirely at their own expense.

Contributions: California Government Code specifies that the Group's contribution requirements for plan members are established and may be amended by the Governing Board. The required contribution is based on projected pay-as-you-go financing requirements, with an amount to fund the actuarial accrued liability as determined annually by the Board.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions to the Plan from the District were \$17,018 and \$17,947 for the years ended June 30, 2020 and 2019, respectively. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability of \$187,096 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. The District's total OPEB liability of \$185,791 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the July 20, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Funding Method	Entry Age Normal Cost, level percent pay
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Mortality Rate	PERS - The mortality assumptions are based on the 2014 CalPERS Mortality for Retired Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
Discount Rate	3.62% as of June 30, 2018 3.13% as of June 30, 2019
Retirement Rate	Retirement rates match rates developed in the experience studies for California PERS (2014)
Termination Rate	2014 CalPERS Experience Study
Inflation Rate	2.75% per year
Salary Increases	3.25% per year
Health Care Cost Trend Rate	7.00% in 2019 with a 0.50% decrease each year until 2023 and then a flat 5.0% thereafter

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	<u>2020</u>	<u>2019</u>
Total OPEB Liability, beginning of year	\$ 185,791	\$ 153,800
Changes for the year:		
Service cost	4,625	4,495
Interest	6,585	6,726
Changes in benefit terms	-	39,619
Changes in assumptions	7,113	(902)
Benefits payments	<u>(17,018)</u>	<u>(17,947)</u>
Net change	<u>1,305</u>	<u>31,991</u>
Total OPEB Liability, End of Year	<u>\$ 187,096</u>	<u>\$ 185,791</u>

There were no changes between the measurement date and the years ended June 30, 2020 and 2019, which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the Group, as well as what the Group's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	2020		
	1% Decrease <u>(2.13%)</u>	Current Discount Rate <u>(3.13%)</u>	1% Increase <u>(4.13%)</u>
Total OPEB Liability	<u>\$ 203,395</u>	<u>\$ 187,096</u>	<u>\$ 173,127</u>
	2019		
	1% Decrease <u>(2.62%)</u>	Current Discount Rate <u>(3.62%)</u>	1% Increase <u>(4.62%)</u>
Total OPEB Liability	<u>\$ 202,011</u>	<u>\$ 185,791</u>	<u>\$ 171,928</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the Group, as well as what the Group's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	2020		
	1% Decrease (5.50%)	Healthcare Cost Trend Rate (6.50%)	1% Increase (7.50%)
Total OPEB Liability	<u>\$ 174,364</u>	<u>\$ 187,096</u>	<u>\$ 201,774</u>
	2019		
	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	<u>\$ 173,148</u>	<u>\$ 185,791</u>	<u>\$ 205,367</u>

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$10,358. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(305)
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>16,673</u>	<u>-</u>
Total	<u>\$ 16,673</u>	<u>\$ (305)</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

\$22,490 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended <u>June 30,</u>		
2021	\$	(852)
2022	\$	(852)
2023	\$	162
2024	\$	1,214
2025	\$	633

For the year ended June 30, 2019, the District recognized OPEB expense of \$9,073. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	7,660
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>17,018</u>	<u>-</u>
Total	<u>\$ 17,018</u>	<u>\$ 7,660</u>

\$17,018 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021.

(Continued)

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT SYSTEM PUBLIC AGENCY COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description: The Group contributes to the Miscellaneous 2% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) California Public Employer's Retirement Fund C (PERF C), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov>.

Benefits provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary ranging from zero dollars to \$703 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

Members – The member contribution rate was 7% of applicable member earnings for fiscal years 2019-20 and 2018-19.

Employers – The employer contribution rate was 10.221% and 9.409% of applicable member earnings for fiscal years 2019-20 and 2018-19, respectively.

The Group's contribution to CalPERS for the fiscal years ending June 30, 2020, 2019, and 2018, were \$125,015, \$114,748, and \$102,086, respectively, and equal 100% of the required contributions for each year.

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

At June 30, 2020, the Group reported a liability of \$960,759 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Group's proportion of the net pension liability was based on the Group's contributions to the pension plan relative to the contributions of all participating agencies. At June 30, 2019, the Group's proportion was 0.024 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2018.

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT SYSTEM PUBLIC AGENCY COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

At June 30, 2019, the Group reported a liability of \$878,160 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Group's proportion of the net pension liability was based on the Group's contributions to the pension plan relative to the contributions of all participating agencies. At June 30, 2018, the Group's proportion was 0.023 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2020, the Group recognized pension expense of \$234,763. At June 30, 2020, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 66,729	\$ 5,170
Changes of assumptions	45,813	16,240
Net differences between projected and actual earnings on investments	-	16,797
Changes in proportion and differences between JPA contributions and proportionate share of contributions	34,054	35,322
Contributions made subsequent to measurement date	<u>125,015</u>	<u>-</u>
Total	<u>\$ 271,611</u>	<u>\$ 73,529</u>

As of June 30, 2020, \$125,015 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2021	\$ 72,506
2022	\$ (9,340)
2023	\$ 6,507
2024	\$ 3,394

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT SYSTEM PUBLIC AGENCY COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2019, the Group recognized pension expense of \$134,272. At June 30, 2019, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 33,693	\$ 11,466
Changes of assumptions	100,113	24,536
Net differences between projected and actual earnings on investments	4,341	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	33,012	24,676
Contributions made subsequent to measurement date	<u>114,748</u>	<u>-</u>
Total	<u>\$ 285,907</u>	<u>\$ 60,678</u>

\$114,748 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended June 30, 2021.

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is four years as of the June 30, 2019 and 2018 measurement dates. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments, changes in assumptions and changes in proportion are netted and amortized over a closed five-year period.

Actuarial methods and assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	1997 to 2015
Actuarial Cost Method	Varies by entry age and service
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	3.00%
Post-retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT SYSTEM PUBLIC AGENCY COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

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

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

<u>Asset Class</u>	<u>Long-Term % Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10**</u>	<u>Expected Real Rate of Return Years 11+***</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

** An expected inflation of 2.00% used for this period.

*** An expected inflation of 2.92% used for this period.

Discount rate: At June 30, 2020 and 2019, the discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT SYSTEM PUBLIC AGENCY COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Group's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. For the years ended June 30, 2020 and 2019, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the JPA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2020		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Group's proportionate share of the net pension liability	<u>\$ 1,559,686</u>	<u>\$ 960,759</u>	<u>\$ 466,388</u>
	2019		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Group's proportionate share of the net pension liability	<u>\$ 1,438,414</u>	<u>\$ 878,160</u>	<u>\$ 415,679</u>

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

NOTE 9 - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Salaries and benefits	\$ 1,200,320	\$ 1,049,757
Depreciation	105,529	101,900
Office expenses	41,692	46,519
Professional services	98,727	94,296
Member services	15,627	33,704
Travel and conference	33,663	34,270
Building expense	133,879	150,464
Other expenses	357,950	354,229
Total	<u>\$ 1,987,387</u>	<u>\$ 1,865,139</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 10 - JOINT POWERS AGREEMENT

The Group participates under a joint powers agreement (JPA) with Schools Excess Liability Fund (SELF) in the Excess Liability Program. The relationship between the Group and SELF is such that SELF is not a component unit of the Group for financial reporting purposes.

SELF arranges for and provides excess coverage for its members. SELF is governed by a board consisting of elected representatives from its membership. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member agency pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SELF. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed financial information for SELF for the fiscal year ended June 30, 2019 (most recent information available) is as follows (in thousands):

	<u>2019</u>
Total assets	\$ 121,324
Total deferred outflows	423
Total liabilities	101,851
Total deferred inflows	<u>31</u>
 Total net position	 <u>\$ 19,865</u>
 Revenues	 \$ 25,735
Expenses	<u>23,968</u>
 Change in net position	 <u>\$ 1,767</u>

NOTE 11 - RENTAL INCOME

The Group owns a 27,400 square foot office building located at 550 High Street in Auburn, California. The Group occupies approximately 4,200 square feet of this building with the remaining 23,200 square feet available for lease to outside tenants.

Future minimum lease payments to be received under the leases in place as of June 30, 2020, are as follows:

Years Ended <u>June 30,</u>	
2021	\$ 229,642
2022	189,657
2023	177,547
2024	177,886
2025	<u>177,886</u>
 Total	 <u>\$ 952,618</u>

(Continued)

NOTE 12 - CONTINGENCIES

The Group is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Group.

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Group could be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOLS INSURANCE GROUP
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2020

Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability			
Service cost	\$ 1,196	\$ 4,495	\$ 4,625
Interest	4,856	6,726	6,585
Change in benefit terms	-	39,619	-
Change in assumptions	(10,441)	(902)	7,113
Benefit payments	<u>(13,843)</u>	<u>(17,947)</u>	<u>(17,018)</u>
Net change in total OPEB liability	(18,232)	31,991	1,305
Total OPEB Liability - beginning of year	<u>172,032</u>	<u>153,800</u>	<u>185,791</u>
Total OPEB Liability - end of year	<u>\$ 153,800</u>	<u>\$ 185,791</u>	<u>\$ 187,096</u>
Covered employee payroll	\$ 646,524	\$ 682,644	\$ 736,987
Total OPEB liability as a percentage of covered employee payroll	23.79%	27.22%	25.39%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior. All years prior to 2018 are not available.

SCHOOLS INSURANCE GROUP
SCHEDULE OF THE GROUP'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Group's proportion of the net pension liability	0.009%	0.027%	0.027%	0.025%	0.023%	0.024%
Group's proportionate share of the net pension liability	\$ 586,624	\$ 730,202	\$ 931,866	\$ 909,471	\$ 878,160	\$ 960,759
Group's covered payroll	\$ 533,000	\$ 626,000	\$ 637,000	\$ 520,000	\$ 627,000	\$ 736,000
Group's proportionate share of the net pension liability as a percentage of its covered payroll	110.06%	116.65%	146.29%	174.90%	140.06%	130.54%
Plan fiduciary net position as a percentage of the total pension liability	81.15%	79.90%	75.90%	75.40%	77.69%	76.60%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See Note to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
SCHEDULE OF THE GROUP'S CONTRIBUTIONS
For the Year Ended June 30, 2020

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 86,583	\$ 90,955	\$ 101,002	\$ 102,086	\$ 114,748	\$ 125,015
Contributions in relation to the contractually required contribution	<u>(86,583)</u>	<u>(90,955)</u>	<u>(101,002)</u>	<u>(102,086)</u>	<u>(114,748)</u>	<u>(125,015)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Group's covered payroll	\$ 626,000	\$ 637,000	\$ 520,000	\$ 627,000	\$ 736,000	\$ 803,000
Contributions as a percentage of covered payroll*	13.83%	14.28%	19.42%	16.28%	15.59%	15.57%

*Contributions are higher than the set employer contribution rates due to an additional contribution made by the Group towards the unfunded accrued liability.

All years prior to 2015 are not available.

See Note to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
PROPERTY AND LIABILITY PROGRAM
For the Years Ended June 30, 2020 and 2019

The schedule below presents the changes in claims liabilities of the Group's Property/Liability Program:

	<u>2020</u>	<u>2019</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 5,875,300	\$ 3,714,500
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	2,574,821	2,641,730
Change in provision for covered events of prior years	<u>(256,037)</u>	<u>726,695</u>
Total incurred claims and claim adjustment expenses	2,318,784	3,368,425
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	290,211	617,957
Claims and claim adjustment expenses attributable to covered events of prior years	<u>1,800,523</u>	<u>589,668</u>
Total payments	<u>2,090,734</u>	<u>1,207,625</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 6,103,350</u>	<u>\$ 5,875,300</u>

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

	<u>2020</u>	<u>2019</u>
Reported claims	\$ 3,119,353	\$ 3,107,714
Claims incurred but not reported (IBNR)	2,680,647	2,476,286
Unallocated loss adjustment expenses (ULAE)	<u>303,350</u>	<u>291,300</u>
	<u>\$ 6,103,350</u>	<u>\$ 5,875,300</u>

(Continued)

SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
WORKERS' COMPENSATION PROGRAM
For the Years Ended June 30, 2020 and 2019

The schedule below presents the changes in claims liabilities of the Group's Workers' Compensation Program:

	<u>2020</u>	<u>2019</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 30,527,898	\$ 29,091,392
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	8,972,977	9,780,440
Change in provision for covered events of prior years	<u>(1,549,176)</u>	<u>(27,851)</u>
Total incurred claims and claim adjustment expenses	7,423,801	9,752,589
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	1,501,048	1,966,635
Claims and claim adjustment expenses attributable to covered events of prior years	<u>5,667,851</u>	<u>6,349,448</u>
Total payments	<u>7,168,899</u>	<u>8,316,083</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 30,782,800</u>	<u>\$ 30,527,898</u>

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

	<u>2020</u>	<u>2019</u>
Reported claims	\$ 12,724,176	\$ 12,910,422
Claims incurred but not reported (IBNR)	16,368,824	15,947,909
Unallocated loss adjustment expenses (ULAE)	<u>1,689,800</u>	<u>1,669,567</u>
	<u>\$ 30,782,800</u>	<u>\$ 30,527,898</u>

Note: The Group's Workers' Compensation Program was fully insured for claims incurred from July 1, 1997 through May 19, 2001.

(Continued)

SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
DENTAL AND VISION PROGRAM
For the Years Ended June 30, 2020 and 2019

The schedule below presents the changes in claims liabilities of the Dental and Vision Program within the Group's Employee Benefit Trust Program:

	<u>2020</u>	<u>2019</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 487,402	\$ 458,123
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	6,963,908	8,036,654
Change in provision for covered events of prior years	<u>(131,546)</u>	<u>(79,343)</u>
Total incurred claims and claim adjustment expenses	6,832,362	7,957,311
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	6,574,158	7,549,252
Claims and claim adjustment expenses attributable to covered events of prior years	<u>355,856</u>	<u>378,780</u>
Total payments	<u>6,930,014</u>	<u>7,928,032</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 389,750</u>	<u>\$ 487,402</u>

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

	<u>2020</u>	<u>2019</u>
Claims incurred but not reported (IBNR)	\$ 366,370	\$ 458,520
Unallocated loss adjustment expenses (ULAE)	<u>23,380</u>	<u>28,882</u>
	<u>\$ 389,750</u>	<u>\$ 487,402</u>

See Note to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
For the Year Ended June 30, 2020

The tables that follow illustrate how the Group's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Group as of the end of each of the last ten years. The rows of the tables are defined as follows:

- (1) Total of each fiscal year's gross earned contribution and investment revenues, less dividends paid and contribution revenue ceded to excess insurers, and net earned contribution and investment revenues.
- (2) Fiscal year's other operating costs of the Group including overhead and claims expenses not allocable to individual claims.
- (3) The Group's gross incurred claims and claim adjustment expenses, claims assumed by excess insurers, and net incurred claims and 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) Cumulative amounts paid as of the end of successive years for each policy year.
- (5) The latest reestimated amount of claims assumed by excess insurers as of the end of the current year for each policy year.
- (6) Policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) Compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

(Continued)

SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
PROPERTY AND LIABILITY PROGRAM
June 30, 2020

	Fiscal and Policy Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Premiums and investment revenue:										
Earned	\$ 4,437,401	\$ 4,587,814	\$ 2,570,799	\$ 4,718,823	\$ 4,736,364	\$ 4,893,354	\$ 5,127,267	\$ 5,287,484	\$ 5,760,406	\$ 7,568,324
Ceded	<u>(2,136,302)</u>	<u>(2,174,576)</u>	<u>(2,252,564)</u>	<u>(2,098,444)</u>	<u>(2,038,313)</u>	<u>(2,188,404)</u>	<u>(2,348,552)</u>	<u>(2,295,764)</u>	<u>(2,482,230)</u>	<u>(4,106,897)</u>
Net earned	<u>\$ 2,301,099</u>	<u>\$ 2,413,238</u>	<u>\$ 318,235</u>	<u>\$ 2,620,379</u>	<u>\$ 2,698,051</u>	<u>\$ 2,704,950</u>	<u>\$ 2,778,715</u>	<u>\$ 2,991,720</u>	<u>\$ 3,278,176</u>	<u>\$ 3,461,427</u>
2 Unallocated expenses	\$ 876,043	\$ 1,321,882	\$ 1,221,623	\$ 1,088,709	\$ 1,177,314	\$ 1,100,274	\$ 1,052,485	\$ 1,082,454	\$ 1,123,566	\$ 1,241,297
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 1,270,190	\$ 1,226,008	\$ 1,456,227	\$ 1,963,290	\$ 1,490,255	\$ 1,482,822	\$ 1,849,879	\$ 2,002,136	\$ 2,541,299	\$ 2,466,033
Ceded	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incurred	<u>\$ 1,270,190</u>	<u>\$ 1,226,008</u>	<u>\$ 1,456,227</u>	<u>\$ 1,963,290</u>	<u>\$ 1,490,255</u>	<u>\$ 1,482,822</u>	<u>\$ 1,849,879</u>	<u>\$ 2,002,136</u>	<u>\$ 2,541,299</u>	<u>\$ 2,466,033</u>
4 Paid (cumulative) as of:										
End of policy year	\$ 374,792	\$ 151,155	\$ 261,801	\$ 407,685	\$ 260,214	\$ 192,021	\$ 439,989	\$ 409,651	\$ 617,957	\$ 290,211
One year later	\$ 581,525	\$ 515,005	\$ 684,322	\$ 714,567	\$ 574,924	\$ 209,987	\$ 667,044	\$ 615,951	\$ 883,556	
Two years later	\$ 986,465	\$ 841,837	\$ 1,015,558	\$ 1,321,792	\$ 865,534	\$ 349,144	\$ 1,048,476	\$ 895,623		
Three years later	\$ 1,193,988	\$ 898,305	\$ 1,152,037	\$ 2,055,972	\$ 1,262,612	\$ 415,522	\$ 1,461,869			
Four years later	\$ 1,423,117	\$ 1,330,414	\$ 1,150,489	\$ 2,069,398	\$ 1,262,983	\$ 798,343				
Five years later	\$ 2,043,620	\$ 1,330,631	\$ 1,157,997	\$ 2,083,639	\$ 1,262,695					
Six years later	\$ 2,476,245	\$ 1,282,087	\$ 1,154,457	\$ 2,185,358						
Seven years later	\$ 2,481,852	\$ 1,282,087	\$ 1,150,181							
Eight years later	\$ 2,484,008	\$ 1,282,087								
Nine years later	\$ 2,484,211									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 1,270,190	\$ 1,226,008	\$ 1,456,227	\$ 1,963,290	\$ 1,490,255	\$ 1,482,822	\$ 1,849,879	\$ 2,002,136	\$ 2,541,299	\$ 2,466,033
One year later	\$ 1,337,842	\$ 1,554,956	\$ 1,457,451	\$ 1,965,389	\$ 1,536,333	\$ 1,028,207	\$ 1,698,285	\$ 2,080,807	\$ 2,950,083	
Two years later	\$ 1,926,751	\$ 1,993,741	\$ 1,443,760	\$ 3,521,412	\$ 1,370,219	\$ 798,558	\$ 1,958,568	\$ 1,573,290		
Three years later	\$ 1,789,918	\$ 1,938,618	\$ 1,232,725	\$ 3,170,917	\$ 1,417,706	\$ 927,720	\$ 2,096,743			
Four years later	\$ 2,164,785	\$ 1,585,079	\$ 1,152,233	\$ 2,134,995	\$ 1,263,400	\$ 798,343				
Five years later	\$ 2,280,509	\$ 1,564,022	\$ 1,160,169	\$ 2,152,189	\$ 1,263,400					
Six years later	\$ 2,479,245	\$ 1,282,087	\$ 1,156,190	\$ 2,241,872						
Seven years later	\$ 2,481,852	\$ 1,282,087	\$ 1,152,188							
Eight years later	\$ 2,488,981	\$ 1,282,087								
Nine years later	\$ 2,484,211									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	<u>\$ 1,214,021</u>	<u>\$ 56,079</u>	<u>\$ (304,039)</u>	<u>\$ 278,582</u>	<u>\$ (226,855)</u>	<u>\$ (684,479)</u>	<u>\$ 246,864</u>	<u>\$ (428,846)</u>	<u>\$ 408,784</u>	<u>\$ -</u>

(Continued)

SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
June 30, 2020

	Fiscal and Policy Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Premiums and investment revenue:										
Earned	\$ 9,179,303	\$ 9,255,539	\$ 8,799,895	\$ 10,095,354	\$ 10,055,008	\$ 11,720,204	\$ 11,734,265	\$ 11,605,765	\$ 13,025,919	\$ 14,601,394
Ceded	<u>(417,465)</u>	<u>(412,221)</u>	<u>(416,306)</u>	<u>(542,673)</u>	<u>(525,910)</u>	<u>(589,613)</u>	<u>(651,633)</u>	<u>(775,011)</u>	<u>(743,401)</u>	<u>(957,697)</u>
Net earned	<u>\$ 8,761,838</u>	<u>\$ 8,843,318</u>	<u>\$ 8,383,589</u>	<u>\$ 9,552,681</u>	<u>\$ 9,529,098</u>	<u>\$ 11,130,591</u>	<u>\$ 11,082,632</u>	<u>\$ 10,830,754</u>	<u>\$ 12,282,518</u>	<u>\$ 13,643,697</u>
2 Unallocated expenses	\$ 2,317,211	\$ 2,325,530	\$ 2,256,751	\$ 1,675,047	\$ 1,455,701	\$ 1,490,612	\$ 1,456,106	\$ 1,614,917	\$ 2,050,429	\$ 1,960,095
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 6,096,097	\$ 6,670,886	\$ 6,427,448	\$ 7,075,760	\$ 7,479,604	\$ 8,000,313	\$ 8,059,772	\$ 9,456,674	\$ 9,048,316	\$ 8,617,172
Ceded	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incurred	<u>\$ 6,096,097</u>	<u>\$ 6,670,886</u>	<u>\$ 6,427,448</u>	<u>\$ 7,075,760</u>	<u>\$ 7,479,604</u>	<u>\$ 8,000,313</u>	<u>\$ 8,059,772</u>	<u>\$ 9,456,674</u>	<u>\$ 9,048,316</u>	<u>\$ 8,617,172</u>
4 Paid (cumulative) as of:										
End of policy year	\$ 1,085,967	\$ 1,056,401	\$ 858,871	\$ 1,205,258	\$ 1,335,691	\$ 1,474,087	\$ 1,228,252	\$ 1,599,107	\$ 1,966,635	\$ 1,501,048
One year later	\$ 2,268,748	\$ 2,574,456	\$ 2,504,513	\$ 2,967,263	\$ 3,429,039	\$ 3,632,211	\$ 2,746,301	\$ 3,420,164	\$ 3,832,767	
Two years later	\$ 3,031,334	\$ 3,926,699	\$ 3,683,366	\$ 4,255,390	\$ 4,633,855	\$ 4,899,045	\$ 4,074,718	\$ 4,879,902		
Three years later	\$ 3,478,651	\$ 4,701,012	\$ 4,554,441	\$ 5,176,444	\$ 5,048,933	\$ 6,585,163	\$ 5,033,503			
Four years later	\$ 3,983,883	\$ 5,384,048	\$ 4,956,812	\$ 5,764,152	\$ 5,356,939	\$ 7,141,460				
Five years later	\$ 4,144,503	\$ 5,620,921	\$ 5,207,303	\$ 6,550,821	\$ 5,515,935					
Six years later	\$ 4,462,363	\$ 5,720,701	\$ 5,354,591	\$ 6,715,314						
Seven years later	\$ 4,491,303	\$ 5,741,384	\$ 5,436,623							
Eight years later	\$ 4,538,433	\$ 5,885,893								
Nine years later	\$ 4,586,681									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 6,096,097	\$ 6,670,886	\$ 6,427,448	\$ 7,075,760	\$ 7,479,604	\$ 8,000,313	\$ 8,059,772	\$ 9,456,674	\$ 9,048,316	\$ 8,617,172
One year later	\$ 6,105,500	\$ 6,560,189	\$ 6,383,619	\$ 7,194,320	\$ 8,115,098	\$ 8,784,594	\$ 7,968,030	\$ 8,943,032	\$ 9,257,268	
Two years later	\$ 5,799,617	\$ 6,919,126	\$ 6,749,912	\$ 7,536,614	\$ 7,586,898	\$ 8,683,360	\$ 7,705,289	\$ 8,701,104		
Three years later	\$ 5,706,367	\$ 7,007,894	\$ 6,783,948	\$ 7,389,499	\$ 7,317,423	\$ 9,330,451	\$ 7,757,274			
Four years later	\$ 5,774,212	\$ 6,814,778	\$ 6,612,451	\$ 7,400,272	\$ 7,022,035	\$ 9,507,092				
Five years later	\$ 5,364,482	\$ 6,620,333	\$ 6,602,567	\$ 8,038,121	\$ 6,945,251					
Six years later	\$ 5,320,806	\$ 6,522,221	\$ 6,445,318	\$ 8,103,837						
Seven years later	\$ 5,112,722	\$ 6,576,334	\$ 6,348,747							
Eight years later	\$ 5,078,887	\$ 6,568,758								
Nine years later	\$ 5,120,776									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	<u>\$ (975,321)</u>	<u>\$ (102,128)</u>	<u>\$ (78,701)</u>	<u>\$ 1,028,077</u>	<u>\$ (534,353)</u>	<u>\$ 1,506,779</u>	<u>\$ (302,498)</u>	<u>\$ (755,570)</u>	<u>\$ 208,952</u>	<u>\$ -</u>

(Continued)

SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
DENTAL & VISION PROGRAM
June 30, 2020

	Fiscal and Policy Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Premiums and investment revenue:										
Earned	\$ 60,015,548	\$ 64,851,024	\$ 67,298,034	\$ 67,047,919	\$ 68,932,242	\$ 69,973,709	\$ 74,039,558	\$ 74,327,369	\$ 73,171,321	\$ 76,186,512
Ceded	<u>(50,710,963)</u>	<u>(54,460,043)</u>	<u>(56,210,233)</u>	<u>(55,653,668)</u>	<u>(57,510,327)</u>	<u>(58,237,891)</u>	<u>(61,847,155)</u>	<u>(62,809,744)</u>	<u>(62,301,137)</u>	<u>(65,013,005)</u>
Net earned	\$ 9,304,585	\$ 10,390,981	\$ 11,087,801	\$ 11,394,251	\$ 11,421,915	\$ 11,735,818	\$ 12,192,403	\$ 11,517,625	\$ 10,870,184	\$ 11,173,507
2 Unallocated expenses	\$ 1,232,241	\$ 1,653,839	\$ 1,775,812	\$ 1,760,710	\$ 1,742,556	\$ 1,678,850	\$ 1,983,319	\$ 1,982,667	\$ 2,029,301	\$ 1,984,891
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 7,475,663	\$ 7,577,201	\$ 8,272,407	\$ 8,242,478	\$ 8,360,715	\$ 8,417,811	\$ 8,448,126	\$ 8,581,628	\$ 8,007,772	\$ 6,940,528
Ceded	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incurred	\$ 7,475,663	\$ 7,577,201	\$ 8,272,407	\$ 8,242,478	\$ 8,360,715	\$ 8,417,811	\$ 8,448,126	\$ 8,581,628	\$ 8,007,772	\$ 6,940,528
4 Paid (cumulative) as of:										
End of policy year	\$ 6,900,651	\$ 7,087,144	\$ 7,820,355	\$ 7,867,775	\$ 7,886,433	\$ 7,965,454	\$ 8,041,113	\$ 8,151,537	\$ 7,549,252	\$ 6,574,158
One year later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	
Two years later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317		
Three years later	\$ 7,416,963	\$ 7,553,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728			
Four years later	\$ 7,416,963	\$ 7,553,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782				
Five years later	\$ 7,416,963	\$ 7,553,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684					
Six years later	\$ 7,416,963	\$ 7,553,519	\$ 8,206,938	\$ 8,335,060						
Seven years later	\$ 7,416,963	\$ 7,553,519	\$ 8,206,938							
Eight years later	\$ 7,416,963	\$ 7,553,519								
Nine years later	\$ 7,416,963									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 7,475,663	\$ 7,577,201	\$ 8,272,407	\$ 8,242,478	\$ 8,360,715	\$ 8,417,811	\$ 8,448,126	\$ 8,581,628	\$ 8,007,772	\$ 6,940,528
One year later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	
Two years later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317		
Three years later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728			
Four years later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782				
Five years later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060	\$ 8,607,684					
Six years later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938	\$ 8,335,060						
Seven years later	\$ 7,416,963	\$ 7,533,519	\$ 8,206,938							
Eight years later	\$ 7,416,963	\$ 7,533,519								
Nine years later	\$ 7,416,963									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	\$ (58,700)	\$ (43,682)	\$ (65,469)	\$ 92,582	\$ 246,969	\$ (124,029)	\$ (16,398)	\$ (51,311)	\$ (102,664)	\$ -

See Note to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

NOTE 1 - PURPOSE OF SCHEDULE

A - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The schedule is presented to illustrate the elements of the Group's Total OPEB Liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The Group has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the Group's Total OPEB Liability.

B - Schedule of the Group's Proportionate Share of the Net Pension Liability

The Schedule of the Group's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the Group's Net Pension Liability. There is a requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years for which information is available.

C - Schedule of Group's Contributions

The Schedule of Group's Contributions is presented to illustrate the Group's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a 10-year trend is compiled, governments should present information for those years for which information is available.

D - Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions: The discount rate for Public Employer's Retirement Fund C was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15 percent in the June 2013, 2014, 2015, 2016, 2017 and 2018 actuarial reports, respectively. The discount rate for OPEB was 2.92, 3.56, 3.62 and 3.13 percent as of the June 30, 2016, 2017, 2018 and 2019 actuarial valuation report, respectively.

SUPPLEMENTARY INFORMATION

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF NET POSITION
June 30, 2020

	Property and Liability Program	Workers' Compensation Program	Employee Benefit Programs	Building Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 8,692,954	\$ 39,911,819	\$ 17,607,388	\$ 735,815	\$ 66,947,976
Investments	560,873	1,833,748	-	-	2,394,621
Receivables:					
Members	80,294	1,141,842	533,955	-	1,756,091
Interest	53,998	173,458	10,125	498	238,079
Excess insurance	-	(71,028)	-	-	(71,028)
Prepaid expenses	1,012,181	731,875	164,908	-	1,908,964
Total current assets	10,400,300	43,721,714	18,316,376	736,313	73,174,703
Noncurrent assets:					
Investments, maturing after one year	9,389,498	28,017,364	-	-	37,406,862
Non-depreciable premises and equipment	-	-	-	300,000	300,000
Depreciable premises and equipment, net	-	18,266	-	874,700	892,966
Total assets	19,789,798	71,757,344	18,316,376	1,911,013	111,774,531
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	4,169	5,836	6,668	-	16,673
Deferred outflows of resources - pension	40,742	97,780	133,089	-	271,611
Total deferred outflows of resources	44,911	103,616	139,757	-	288,284
LIABILITIES					
Current liabilities:					
Accounts payable	115,460	247,752	42,349	18,817	424,378
Unearned revenue	29,707	-	-	-	29,707
Dividend payable	-	2,572,500	-	-	2,572,500
Current portion of unpaid claims and claim adjustment expenses	1,722,925	6,733,722	-	-	8,456,647
Total current liabilities	1,868,092	9,553,974	42,349	18,817	11,483,232
Unpaid claims and claim adjustment expenses, net of current portion	4,380,425	24,049,078	389,750	-	28,819,253
Net pension liability	144,114	345,873	470,772	-	960,759
Other postemployment benefits	46,774	65,484	74,838	-	187,096
Total liabilities	6,439,405	34,014,409	977,709	18,817	41,450,340
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - OPEB	(76)	(107)	(122)	-	(305)
Deferred inflows of resources - pension	11,029	26,470	36,029	-	73,528
Total deferred inflows of resources	10,953	26,363	35,907	-	73,223
NET POSITION					
Net position:					
Net investment in capital assets	-	18,266	-	1,174,700	1,192,966
Unrestricted	13,384,351	37,801,922	17,442,517	717,496	69,346,286
Total net position	<u>\$ 13,384,351</u>	<u>\$ 37,820,188</u>	<u>\$ 17,442,517</u>	<u>\$ 1,892,196</u>	<u>\$ 70,539,252</u>

(Continued)

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF NET POSITION
June 30, 2019

	Property and Liability Program	Workers' Compensation Program	Employee Benefit Programs	Building Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 9,205,451	\$ 37,397,634	\$ 15,386,982	\$ 622,667	\$ 62,612,734
Investments	877,847	2,554,636	-	-	3,432,483
Receivables:					
Members	39,871	641,655	580,126	-	1,261,652
Interest	68,861	224,566	22,093	892	316,412
Excess insurance	-	10,174	-	-	10,174
Prepaid expenses	1,080,895	689,419	108,058	8,337	1,886,709
Total current assets	11,272,925	41,518,084	16,097,259	631,896	69,520,164
Noncurrent assets:					
Investments, maturing after one year	8,527,596	25,661,695	-	-	34,189,291
Non-depreciable premises and equipment	-	-	-	300,000	300,000
Depreciable premises and equipment, net	-	32,466	-	924,726	957,192
Total assets	19,800,521	67,212,245	16,097,259	1,856,622	104,966,647
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	4,255	5,957	6,806	-	17,018
Deferred outflows of resources - pension	42,886	102,927	140,094	-	285,907
Total deferred outflows of resources	47,141	108,884	146,900	-	302,925
LIABILITIES					
Current liabilities:					
Accounts payable	33,133	391,224	127,581	50,158	602,096
Unearned revenue	264,545	(116,336)	-	-	148,209
Current portion of unpaid claims and claim adjustment expenses	1,883,744	6,826,281	-	-	8,710,025
Total current liabilities	2,181,422	7,101,169	127,581	50,158	9,460,330
Unpaid claims and claim adjustment expenses, net of current portion	3,991,556	23,701,617	487,402	-	28,180,575
Net pension liability	131,724	316,138	430,298	-	878,160
Other postemployment benefits	46,448	65,027	74,316	-	185,791
Total liabilities	6,351,150	31,183,951	1,119,597	50,158	38,704,856
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - OPEB	1,915	2,681	3,064	-	7,660
Deferred inflows of resources - pension	9,102	21,844	29,732	-	60,678
Total deferred inflows of resources	11,017	24,525	32,796	-	68,338
NET POSITION					
Net position:					
Net investment in capital assets	-	32,466	-	1,224,726	1,257,192
Unrestricted	13,485,495	36,080,187	15,091,766	581,738	65,239,186
Total net position	<u>\$ 13,485,495</u>	<u>\$ 36,112,653</u>	<u>\$ 15,091,766</u>	<u>\$ 1,806,464</u>	<u>\$ 66,496,378</u>

SCHOOLS INSURANCE GROUP
 COMBINING STATEMENTS OF REVENUES, EXPENSES AND
 CHANGE IN NET POSITION
 For the Year Ended June 30, 2020

	<u>Property and Liability Program</u>	<u>Workers' Compensation Program</u>	<u>Employee Benefit Programs</u>	<u>Building Fund</u>	<u>Total</u>
Operating revenues:					
Member contributions	\$ 6,938,094	\$ 12,439,430	\$ 76,016,816	\$ -	\$ 95,394,340
Operating expenses:					
Claims expense	2,318,784	7,423,800	6,832,363	-	16,574,947
Insurance premiums	4,106,897	957,697	65,013,005	-	70,077,599
Professional fees	645,300	845,049	827,515	-	2,317,864
Risk management fees	356,549	535,551	207,312	-	1,099,412
Dividend expense	-	2,572,500	-	-	2,572,500
General and administrative expenses	<u>241,938</u>	<u>559,262</u>	<u>955,566</u>	<u>230,621</u>	<u>1,987,387</u>
Total operating expenses	7,669,468	12,893,859	73,835,761	230,621	94,629,709
Operating (loss) income	(731,374)	(454,429)	2,181,055	(230,621)	764,631
Non-operating revenues (expenses):					
Investment income	645,649	2,177,964	194,366	9,399	3,027,378
Rental (expense) income	(15,419)	(21,586)	(24,670)	306,954	245,279
Other income	<u>-</u>	<u>5,586</u>	<u>-</u>	<u>-</u>	<u>5,586</u>
Total non-operating revenues	<u>630,230</u>	<u>2,161,964</u>	<u>169,696</u>	<u>316,353</u>	<u>3,278,243</u>
Change in net position	(101,144)	1,707,535	2,350,751	85,732	4,042,874
Net position, beginning of year	<u>13,485,495</u>	<u>36,112,653</u>	<u>15,091,766</u>	<u>1,806,464</u>	<u>66,496,378</u>
Net position, end of year	<u>\$ 13,384,351</u>	<u>\$ 37,820,188</u>	<u>\$ 17,442,517</u>	<u>\$ 1,892,196</u>	<u>\$ 70,539,252</u>

(Continued)

SCHOOLS INSURANCE GROUP
 COMBINING STATEMENTS OF REVENUES, EXPENSES AND
 CHANGE IN NET POSITION
 For the Year Ended June 30, 2019

	Property and Liability <u>Program</u>	Workers' Compensation <u>Program</u>	Employee Benefit <u>Programs</u>	Building <u>Fund</u>	<u>Total</u>
Operating revenues:					
Member contributions	\$ 5,142,781	\$ 10,953,167	\$ 72,973,816	\$ -	\$ 89,069,764
Operating expenses:					
Claims expense	3,368,425	9,752,589	7,957,311	-	21,078,325
Insurance premiums	2,482,230	743,401	62,301,137	-	65,526,768
Professional fees	627,000	894,859	881,323	-	2,403,182
Risk management fees	303,745	546,755	237,803	-	1,088,303
General and administrative expenses	<u>225,471</u>	<u>491,746</u>	<u>908,665</u>	<u>239,257</u>	<u>1,865,139</u>
Total operating expenses	<u>7,006,871</u>	<u>12,429,350</u>	<u>72,286,239</u>	<u>239,257</u>	<u>91,961,717</u>
Operating (loss) income	(1,864,090)	(1,476,183)	687,577	(239,257)	(2,891,953)
Non-operating revenues (expenses):					
Investment income	633,044	2,094,323	222,175	10,907	2,960,449
Rental (expense) income	(15,419)	(21,586)	(24,670)	286,447	224,772
Other income	<u>-</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>
Total non-operating revenues	<u>617,625</u>	<u>2,072,752</u>	<u>197,505</u>	<u>297,354</u>	<u>3,185,236</u>
Change in net position	(1,246,465)	596,569	885,082	58,097	293,283
Net position, beginning of year	<u>14,731,960</u>	<u>35,516,084</u>	<u>14,206,684</u>	<u>1,748,367</u>	<u>66,203,095</u>
Net position, end of year	<u>\$ 13,485,495</u>	<u>\$ 36,112,653</u>	<u>\$ 15,091,766</u>	<u>\$ 1,806,464</u>	<u>\$ 66,496,378</u>

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

To the Board of Directors and Members of
Schools Insurance Group
Auburn, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts 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 Schools Insurance Group as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Schools Insurance Group's financial statements and have issued our report thereon dated January 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Schools Insurance Group'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 the Schools Insurance Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools Insurance Group's internal controls.

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

Purpose of this Report

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


Crowe LLP

Simsbury, Connecticut
January 15, 2021