SCHOOLS INSURANCE GROUP

FINANCIAL STATEMENTS

June 30, 2019 and 2018

SCHOOLS INSURANCE GROUP
Auburn, California

FINANCIAL STATEMENTS
June 30, 2019 and 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Schools Insurance Group
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of Schools Insurance Group as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Schools Insurance Group's 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Schools Insurance Group, as of June 30, 2019 and 2018, 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.

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 8, Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability on page 34, the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 35, the Schedule of the Group's Contributions on page 36, the Reconciliation of Claims Liability by Type of Contract on pages 37 through 39, and the Claims Development Information on pages 40 through 43 be presented to supplement the financial statements. Such information, although not a part of the 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 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 required supplementary 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 45 through 48 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 information has not been subjected to the auditing procedures applied in the audits of the 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 December 2, 2019 on our consideration of 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 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 Schools Insurance Group's internal control over financial reporting and compliance.

CROWE LLP

Crowe LLP

Sacramento, California
December 2, 2019

Schools Insurance Group
Management's Discussion and Analysis
Fiscal Years 2018-19 and 2017-18

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 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, 2019 and 2018. 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 schedule of other Postemployment Benefits Funding Progress, Group's Proportionate Share of the Net Pension Liability and Contributions, Claims Liabilities by type of contract for the fiscal years ended June 30, 3019 and 2018 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, 2019 and 2018. Accounting for the individual programs is maintained internally to show the performance and activity of each fund.

Statement of Net Position

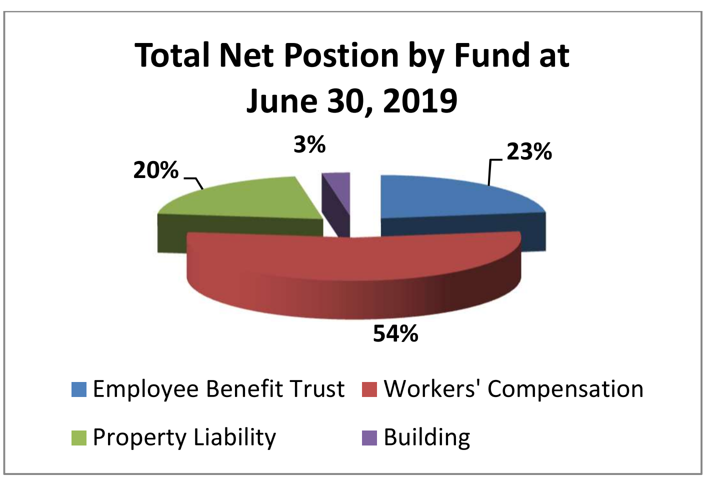
June 30, 2019, 2018, and 2017

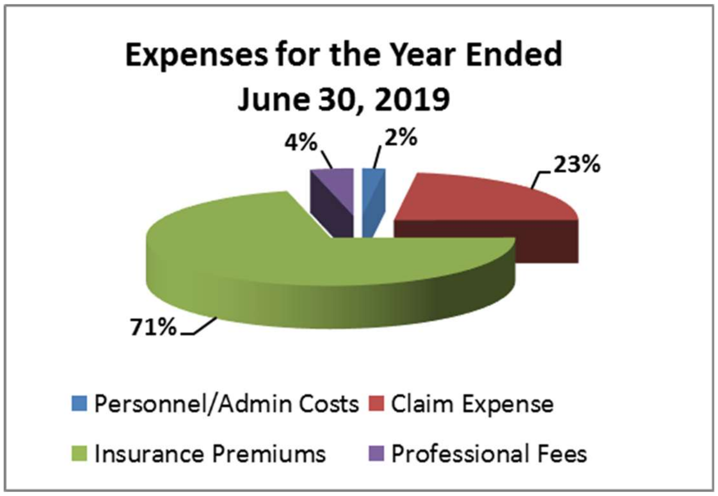
	2019	2018	% Change	2017	% Change
ASSETS					
Current assets	$ 69,520,164	$ 65,612,658	5.96%	$ 66,230,030	-0.93%
Investments maturing after one year	34,189,291	33,923,250	0.78%	28,987,295	17.03%
Deposits in SCELP	0	0	0.00%	0	0.00%
Capital assets, net	1,257,192	1,227,445	2.42%	1,170,991	4.82%
Total assets	104,966,647	100,763,353	4.17%	96,388,316	4.54%
Deferred Outflows of Resources	302,925	342,409	-11.53%	265,300	29.06%
LIABILITIES					
Current liabilities	9,460,330	8,720,579	8.48%	14,302,878	-39.03%
Total non-current liabilities	29,244,526	26,118,736	11.97%	19,311,029	35.25%
Total liabilities	38,704,856	34,839,315	11.10%	33,613,907	3.65%
Deferred Inflows of Resources	68,338	63,352	7.87%	41,239	53.62%
NET POSITION	$ 66,496,378	$ 66,203,095	0.44%	$ 62,998,470	5.09%

Statement of Revenues, Expenses and Change in Net Position

For the Years Ended June 30, 2019, 2018 and 2017

	2019	2018	% Change	2017	% Change
Operating Revenue:					
Member Contributions	$ 89,069,764	$ 90,467,003	-1.54%	$ 90,126,473	0.38%
Operating Expenses:					
Provision for claims & claims adj expenses	21,078,325	17,749,519	18.75%	16,077,146	10.40%
Commercial insurance premiums	65,526,768	65,880,519	-0.54%	64,847,340	1.59%
Professional fees + Risk mgmt expenses	3,491,485	3,181,174	9.75%	3,215,723	-1.07%
Administrative expenses	1,865,139	1,648,881	13.12%	1,567,550	5.19%
Total operating expenses	$ 91,961,717	$ 88,460,093	3.96%	$ 85,707,759	3.21%
Non-Operating Income					
Investment Income	2,960,449	823,697	259.41%	783,391	5.15%
Rental	224,772	204,203	10.07%	225,857	-9.59%
Other	15	155,418	-99.99%	58,207	167.01%
Total other income	$ 3,185,236	$ 1,183,318	169.18%	$ 1,067,455	10.85%
Increase in Net Position	293,283	3,190,228	-90.81%	5,486,169	-41.85%
Net Position, beginning of year	66,203,095	62,998,470	5.09%	57,512,301	9.54%
GASB 75 Implementation		14,397			
Net Position, end of year	$ 66,496,378	$ 66,203,095	0.44%	$ 62,998,470	5.09%





Analysis of Balances and Transactions of Individual Programs

Employee Benefit Trust

There was an increase in net position of $885,082 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. For the 2017-18 fiscal year, there was an increase in net position of $975,486 (net of the cumulative effect of GASB 75 implementation in the amount of $5,758).

Workers' Compensation Program

There was an increase in net position for the current year of $596,569 compared to the 2017-18 increase in net position of $972,376 (net of the cumulative effect of GASB 75 implementation in the amount of $5,039). 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.

Property and Liability Program

The program experienced a decrease in net position of $1,246,465. This decrease was mainly a result of increasing reserve levels on outstanding claims due to the increasing severity of claims and to insure that SIG is maintaining funding adequacy. For the 2017-18 fiscal year, there was an increase in net position of $1,063,006 (net of the cumulative effect of GASB 75 implementation in the amount of $3,600), and reflects a reduction in the provision for claims and claims adjustment expenses over the prior fiscal year.

Building Program

There was an increase in net position of $58,097. In the 2017-18 fiscal year, there was an increase in net position of $193,757. The building continues to be 97% occupied.

Analysis of Overall Financial Position and Results of Operations

Total net position in SIG increased by $293,283 between 2019 and 2018 and increased $3,204,625 between 2018 and 2017. The significantly smaller increase in the current year is due to smaller increases to net position in all SIG programs, and a significant decrease to net position in the Property Liability program. Total liabilities increased by $3,865,541 between 2019 and 2018 as a result of an increase in claims liability. At June 30, 2019, approximately $34.2 million of investments were classified as long-term with terms between one and five years. This was up slightly from the approximately $33.9 million of long term investments for the 2018 fiscal year.

Member contributions for SIG decreased by 1.54% for the 2019 fiscal year from 2018 and increased 0.38% for the 2018 fiscal year as compared to 2017. The decrease in the current period is result of a district withdrawing from the Employee Benefits program, and SIG implementing an additional $0.10 reduction to the base rate in the Workers' Compensation program.

Administrative and Personnel expenses were 2.0% of member contributions for the 2019 fiscal year as. This is slightly higher than the 2018 fiscal year in which Administrative and Personnel expenses were 1.82% of member contributions. SIG added a new position, Director-Claims/Loss Prevention in November 2018 that is reflected in the current year expenses.

Insurance Market Condition and Economic Outlook

The issues in the Medical Program are unknown with the passage of the Federal Healthcare legislation and subsequent modifications to the legislation. In the years up to the full implementation of the Federal Healthcare Plan, medical inflation will continue to rise above general inflation and these rate increases may be passed on to the Districts and its employees.

The Property Casualty market has hardened due to wild fires and large loss trends in California. SIG has not had to adjust self-insured retention levels or create risk corridors at this time, and our capacity is adequate to meet the needs of our member districts. SIG will continue to work diligently to ensure the long-term stability of the JPA as markets are expected to react for upcoming renewals.

SIG anticipates that Workers' Compensation costs will continue to be stable in 2019-20. Changes in the Workers' Compensation environment have been minimal, however an uptick in activity is anticipated over the next few years. The impact from these future changes remains to be seen. The total operating expenses increased by $1,790,922 from the 2017-18 fiscal year.

New housing starts in SIG's service areas have remained consistent. SIG anticipates that student attendance and number of employees will remain flat.

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 is 97% occupied. Our percentage of leased space has remained consistent over the past 4 years. The book value of our real property, office furniture, and vehicles totals $1,257,192 as of June 30, 2019.

FINANCIAL STATEMENTS

SCHOOLS INSURANCE GROUP
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 62,612,734	$ 58,310,095
Investments (Notes 3 and 4)	3,432,483	1,872,844
Receivables:		
Members	1,261,652	1,544,309
Interest	316,412	236,128
Excess insurance receivable	10,174	41,497
Prepaid expenses	1,886,709	3,607,785
Total current assets	69,520,164	65,612,658
Noncurrent assets:		
Investments maturing after one year (Notes 3 and 4)	34,189,291	33,923,250
Non-depreciable premises and equipment (Note 5)	300,000	300,000
Depreciable premises and equipment, net (Note 5)	957,192	927,445
Total assets	104,966,647	100,763,353
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – OPEB (Note 7)	17,018	11,531
Deferred outflows of resources – pension (Note 8)	285,907	330,878
Total deferred outflows of resources	302,925	342,409
LIABILITIES		
Current liabilities:		
Accounts payable	602,096	510,783
Unearned revenue	148,209	1,246
Current portion of unpaid claims and claim adjustment expenses (Note 6)	8,710,025	8,208,550
Total current liabilities	9,460,330	8,720,579
Unpaid claims and claim adjustment expenses, net of current portion (Note 6)	28,180,575	25,055,465
Net pension liability (Note 8)	878,160	909,471
Other postemployment benefits (Note 7)	185,791	153,800
Total liabilities	38,704,856	34,839,315
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – OPEB (Note 7)	7,660	8,540
Deferred inflows of resources – pension (Note 8)	60,678	54,812
Total deferred inflows of resources	68,338	63,352
NET POSITION		
Net position:		
Net investment in capital assets	1,257,192	1,227,445
Unrestricted	65,239,186	64,975,650
Total net position	$ 66,496,378	$ 66,203,095

See accompanying notes to financial statements.

SCHOOLS INSURANCE GROUP
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Member contributions	$ 89,069,764	$ 90,467,003
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 6)	21,078,325	17,749,519
Insurance premiums	65,526,768	65,880,519
Professional fees	2,403,182	2,485,229
Risk management fees	1,088,303	695,945
General and administrative expenses (Note 9)	1,865,139	1,648,881
Total operating expenses	91,961,717	88,460,093
Operating (loss) income	(2,891,953)	2,006,910
Non-operating revenues:		
Investment income	2,960,449	823,697
Rental income (Note 11)	224,772	204,203
Other income	15	155,418
Total non-operating revenues	3,185,236	1,183,318
Change in net position	293,283	3,190,228
Net position, beginning of year	66,203,095	63,012,867
Net position, end of year	$ 66,496,378	$ 66,203,095

See accompanying notes to financial statements.

SCHOOLS INSURANCE GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from members and others	$ 89,530,707	$ 91,340,587
Cash paid for claims	(17,451,740)	(16,145,616)
Cash paid for insurance premiums	(63,714,379)	(66,659,756)
Cash paid for contract services	(2,403,182)	(2,485,229)
Cash paid for risk management	(1,088,303)	(695,945)
Cash paid for general and administrative	(708,005)	(698,295)
Cash paid to employees for services	(1,010,084)	(931,873)
Net cash provided by operating activities	3,155,014	3,723,873
Cash flows used in capital and related financing activities:		
Purchase of premises and equipment	(131,647)	(156,947)
Cash flows from investing activities:		
Investment income received	1,727,464	1,302,190
Purchase of investments	(16,063,481)	(29,642,030)
Sale of investments	15,390,502	29,287,258
Rental income	224,772	204,203
Other cash received	15	155,418
Net cash provided by investing activities	1,279,272	1,307,039
Net increase in cash and cash equivalents	4,302,639	4,873,965
Cash and cash equivalents, beginning of year	58,310,095	53,436,130
Cash and cash equivalents, end of year	$ 62,612,734	$ 58,310,095
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	$ (2,891,953)	$ 2,006,910
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	101,900	100,493
Decrease in members' receivable	282,657	628,752
Decrease in excess insurance receivable	31,323	244,736
Decrease (increase) in prepaid expenses	1,721,076	(441,827)
Decrease (increase) in deferred outflow	39,484	(63,266)
Increase (decrease) in accounts payable	91,313	(337,410)
Increase in unearned revenue	146,963	96
Decrease in net pension liability	(31,311)	(22,395)
Increase (decrease) in total OPEB liability	31,991	(18,232)
Increase in unpaid claims and claim adjustment expenses	3,626,585	1,603,903
Increase in deferred inflow	4,986	22,113
Total adjustments	6,046,967	1,716,963
Net cash provided by operating activities	$ 3,155,014	$ 3,723,873
Supplemental Information:		
Change in fair value of investments	$ 1,152,701	$ (532,141)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Schools Insurance Group (the "Group") 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 34 members (31 voting members), 33 who participate in Workers' Compensation, 28 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)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2019, 33 members participate in the Workers' Compensation program. Each member pays the Group monthly contributions based on the following formula:

Required Income/ (Experience Modification Factor x 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, 2019, 31 members participate in the Property and 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)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2019, 28 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 statement of revenues, expenses and change in net position. The fair value of pooled investments at June 30, 2019 and 2018 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 statement of revenues, expenses and change in net position.

Prepaid Expenses: Insurance premiums paid by the Property and 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 statement of net position. The Group did not declare dividends during the years ended June 30, 2019 and 2018.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes 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 Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows 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 Statement of Net Position.

(Continued)

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, 2019 and 2018, 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.

(Continued)

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Cash in County Treasury	$ 59,540,223	$ 55,836,103
Cash on hand and in banks	3,072,511	2,473,992
Total cash and cash equivalents	$ 62,612,734	$ 58,310,095

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, 2019 and 2018, 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, 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. At June 30, 2018, the carrying amount of the Group's accounts were $2,473,992 and the bank balances were $3,581,120, of which $2,992,412 was uninsured but collateralized.

(Continued)

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.

As of June 30, 2019 and 2018, 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, 2019 and 2018:

	Fair Value Measurements at June 30, 2019, Using			
	Total	Level 1	Level 2	Level 3
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	2,402,107	2,402,107	-	-
Total	$ 37,621,774	$ 16,420,105	$ 21,201,669	$ -

(Continued)

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

	Fair Value Measurements at June 30, 2018, Using			
	Total	Level 1	Level 2	Level 3
Investment securities:				
Corporate bonds	$ 10,588,513	$ -	$ 10,588,513	$ -
U.S. Government sponsored entities and agencies	10,714,332	10,714,332	-	-
Commercial asset-backed securities	3,286,754	-	3,286,754	-
Municipal bond	423,989	-	423,989	-
Certificates of deposit	7,159,443	7,159,443		-
Supra-national agency bond	2,858,622	-	2,858,622	-
Government asset-backed securities	764,441	-	764,441	-
Total	$ 35,796,094	$ 17,873,775	$ 17,922,319	$ -

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).

(Continued)

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, 2019 consist of the following:

		Maturity	
	Fair Value	Less Than One Year	One Year Through Five Years
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
	$ 37,621,774	$ 3,432,483	$ 34,189,291

Maturities of investments held at June 30, 2018 consist of the following:

		Maturity	
	Fair Value	Less Than One Year	One Year Through Five Years
Investment securities:			
Corporate bonds	$ 10,588,513	$ -	$ 10,588,513
U.S. Government sponsored entities and agencies	10,714,332	-	10,714,332
Commercial asset-backed securities	3,286,754	138,308	3,148,446
Municipal bond	423,989	-	423,989
Certificates of deposit	7,159,443	1,642,907	5,516,536
Supra-national agency bond	2,858,622	-	2,858,622
Government asset-backed securities	764,441	91,629	672,812
	$ 35,796,094	$ 1,872,844	$ 33,923,250

(Continued)

NOTE 4 – INVESTMENTS (Continued)

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 limits investments in medium-term corporate notes to the top three ratings issued by nationally recognized statistical ratings organizations. Securities eligible for investment shall be rated "A" or better at the time of purchase. If the investment subsequently is downgraded below an "AA-" rating, the Executive Director shall notify the Executive Committee upon learning of the downgrade. As of June 30, 2019 and 2018, investments in Federal Agencies had a Moody rating of AAA, investments in corporate notes had a Moody rating of A1 or better, certificates of deposit had a Moody rating of P-1 or better, investments in commercial paper had a Moody rating of P-1 and investments in municipal bonds had a rating of AA1 or better.

Concentration of Investment Credit Risk: The Group limits the amount that can be invested in corporate obligations to no more than 25% of the Group's investment portfolio. No more than 10% of the Group's total investment portfolio plus its cash in Placer County Treasury will be invested in a single type or with a single financial institution, excluding instruments issued by the U.S. Treasury or Federal Agency. At June 30, 2019 and 2018, the Group had the following investments that represent more than 5% of the Group's net investments:

	2019	2018
United States Treasury	37%	30%

NOTE 5 – PREMISES AND EQUIPMENT

Premises and equipment at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Non-depreciable:		
Land	$ 300,000	$ 300,000
Depreciable:		
Building and improvements	2,294,420	2,171,276
Office equipment and furniture	414,137	405,634
Vehicles	17,855	17,855
Subtotal	3,026,412	2,894,765
Less accumulated depreciation	(1,769,220)	(1,667,320)
	$ 1,257,192	$ 1,227,445

Activity for premises and equipment for the years ended June 30, 2019 and 2018 included the following:

	2019	2018
Premises and equipment, beginning of year	$ 1,227,445	$ 1,170,991
Purchases	131,647	156,947
Current year depreciation	(101,900)	(100,493)
Premises and equipment, end of year	$ 1,257,192	$ 1,227,445

(Continued)

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, 2019 and 2018:

	2019	2018
Unpaid claims and claim adjustment expenses, beginning of fiscal year	$ 33,264,015	$ 31,660,112
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	20,458,824	20,602,091
Change in provision for covered events of prior years	619,501	(2,852,572)
Total incurred claims and claim adjustment expenses	21,078,325	17,749,519
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	10,133,844	10,160,295
Claims and claim adjustment expenses attributable to covered events of prior years	7,317,896	5,985,321
Total payments	17,451,740	16,145,616
Total unpaid claims and claim adjustment expenses, end of fiscal year	$ 36,890,600	$ 33,264,015

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, 2019 and 2018 are as follows:

	2019	2018
Reported claims	$ 16,018,136	$ 12,034,855
Claims incurred but not reported (IBNR)	18,882,715	19,377,943
Unallocated loss adjustment expenses (ULAE)	1,989,749	1,851,217
	36,890,600	33,264,015
Current portion	(8,710,025)	(8,208,550)
	$ 28,180,575	$ 25,055,465

At June 30, 2019 and 2018, 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, 2019 and 2018 is $40,930,816 and $38,285,778 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)

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 which currently includes only one retired employee. 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, 2019, 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, 2019:

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

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.

Contributions to the Plan from the District were $17,947 and 13,843 for the years ended June 30, 2019 and 2018, respectively. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

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. The District's total OPEB liability of $153,800 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

(Continued)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the September 5, 2019 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
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	3.56% as of June 30, 2017 3.62% as of June 30, 2018
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)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	2019	2018
Total OPEB Liability, beginning of year	$ 153,800	$ 172,032
Changes for the year:		
Service cost	4,495	1,196
Interest	6,726	4,856
Changes in benefit terms	39,619	-
Changes in assumptions	(902)	(10,441)
Benefits payments	(17,947)	(13,843)
Net change	31,991	(18,232)
Total OPEB Liability, End of Year	$ 185,791	$ 153,800

There were no changes between the measurement date and the years ended June 30, 2019 and 2018, 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:

	2019		
	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	$202,011	$185,791	$171,928

	2018		
	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	$169,033	$153,800	$140,864

(Continued)

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:

	2019		
	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	$173,148	$185,791	$205,367

	2018		
	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB Liability	$141,247	$153,800	$168,262

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

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:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
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	-	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	17,018	-
Total	$ 17,018	$ 7,660

(Continued)

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

$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, 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 June 30,		
2020	$	(2,148)
2021	$	(2,148)
2022	$	(2,148)
2023	$	(1,134)
2024	$	(82)

For the year ended June 30, 2018, the District recognized OPEB expense of $4,150. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	8,540
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	11,531	-
Total	$ 11,531	$ 8,540

$11,531 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, 2019.

(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 in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2019 were as follows:

Members – The member contribution rate was 7% of applicable member earnings for fiscal years 2018-19 and 2017-18.

Employers – The employer contribution rate was 9.409% and 8.92% of applicable member earnings for fiscal years 2018-19 and 2017-18, respectively.

The Group's contribution to CalPERS for the fiscal years ending June 30, 2019, 2018 and 2017, were $114,748, $102,086, and $101,002, 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, 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, 2017, 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.

(Continued)

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

At June 30, 2018, the Group reported a liability of $909,471 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the Group's proportion was 0.025 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

For the years ended June 30, 2019 and 2018, the Group recognized pension expense of $134,272 and $166,545. At June 30, 2019, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
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	-
Differences between JPA contributions and proportionate share of contributions	-	24,676
Changes in proportion	33,012	-
Contributions made subsequent to measurement date	114,748	-
Total	$ 285,907	$ 60,678

As of June 30, 2019, $114,748 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, 2020.

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 June 30	
2020	$ 90,823
2021	$ 53,573
2022	$ (26,015)
2023	$ (7,900)

(Continued)

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

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,318	$ 18,892
Changes of assumptions	163,609	12,475
Net differences between projected and actual earnings on investments	37,002	-
Differences between JPA contributions and proportionate share of contributions	-	15,972
Changes in proportion	26,863	7,473
Contributions made subsequent to measurement date	102,086	-
Total	$ 330,878	$ 54,812

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, 2018 and 2017 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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
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

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, 2017 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.

(Continued)

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

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.

Asset Class	Long-Term % Assumed Asset Allocation	Expected Real Rate of Return Years 1-10**	Expected Real Rate of Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	0.00	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, 2019 and 2018, 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.

Sensitivity of the Group's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. For the year ended June 30, 2019 and 2018, 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:

	2019		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Group's proportionate share of the net pension liability	$1,438,414	$878,160	$415,679

	2018		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Group's proportionate share of the net pension liability	$1,448,771	$909,471	$462,812

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

(Continued)

NOTE 9 – GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Salaries and benefits	$ 1,049,757	$ 850,093
Depreciation	101,900	100,493
Office expenses	46,519	39,384
Professional services	94,296	99,895
Member services	33,704	13,910
Travel and conference	34,270	29,109
Building expense	150,464	153,659
Other expenses	354,229	362,338
Total	$ 1,865,139	$ 1,648,881

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 years ended June 30, 2018 (most recent information available) is as follows (in thousands):

	2018
Total assets	$ 118,692
Total deferred outflows	498
Total liabilities	101,065
Total deferred inflows	28
Total net position	$ 18,097
Revenues	$ 15,139
Expenses	19,471
Change in net position	$ (4,332)

(Continued)

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, 2019, are as follows:

Year Ending June 30,	
2020	$ 200,442
2021	127,724
2022	70,058
2023	11,663
Total	$ 409,887

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.

REQUIRED SUPPLEMENTARY INFORMATION

Last 10 Fiscal Years

	2018	2019
Total OPEB Liability:		
Service cost	$ 1,196	$ 4,495
Interest	4,856	6,726
Change in benefit terms	-	39,619
Change in assumptions	(10,441)	(902)
Benefit payments	(13,843)	(17,947)
Net change in total OPEB liability	(18,232)	31,991
Total OPEB liability - beginning of year	172,032	153,800
Total OPEB liability - end of year	$ 153,800	$ 185,791
Covered-employee payroll	$ 646,524	$ 682,644
Total OPEB liability as a percentage of covered-employee payroll	23.79%	27.22%

** Based on the implementation of GASB Statement No. 75, the Group's July 1, 2017 net position was restated by $14,397 because of the recognition of a $554 decrease of the Group's total OPEB liability and an increase of $13,843 in deferred outflows related to OPEB.

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, 2019

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	2015	2016	2017	2018	2019
Group's proportion of the net pension liability	0.009%	0.027%	0.027%	0.025%	0.023%
Group's proportionate share of the net pension liability	$ 586,624	$ 730,202	$ 931,866	$ 909,471	$ 878,160
Group's covered payroll	$ 533,000	$ 626,000	$ 637,000	$ 520,000	$ 627,000
Group's proportionate share of the net pension liability as a percentage of its covered payroll	109.98%	116.59%	170.66%	174.90%	140.06%
Plan fiduciary net position as a percentage of the total pension liability	81.15%	79.90%	75.90%	75.40%	77.69%

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, 2019

Public Employer's Retirement Fund C
Last 10 Fiscal Years

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

*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.

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

	2019	2018
Unpaid claims and claim adjustment expenses, beginning of fiscal year	$ 3,714,500	$ 4,371,650
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	2,641,730	2,081,558
Change in provision for covered events of prior years	726,695	(1,264,348)
Total incurred claims and claim adjustment expenses	3,368,425	817,210
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	617,957	409,651
Claims and claim adjustment expenses attributable to covered events of prior years	589,668	1,064,709
Total payments	1,207,625	1,474,360
Total unpaid claims and claim adjustment expenses, end of fiscal year	$ 5,875,300	$ 3,714,500

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

	2019	2018
Reported claims	$ 3,107,714	$ 993,551
Claims incurred but not reported (IBNR)	2,476,286	2,536,449
Unallocated loss adjustment expenses (ULAE)	291,300	184,500
	$ 5,875,300	$ 3,714,500

(Continued)

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

	2019	2018
Unpaid claims and claim adjustment expenses, beginning of fiscal year	$ 29,091,392	$ 26,854,927
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	9,780,440	9,910,873
Change in provision for covered events of prior years	(27,851)	(1,545,304)
Total incurred claims and claim adjustment expenses	9,752,589	8,365,569
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	1,966,635	1,599,107
Claims and claim adjustment expenses attributable to covered events of prior years	6,349,448	4,529,997
Total payments	8,316,083	6,129,104
Total unpaid claims and claim adjustment expenses, end of fiscal year	$ 30,527,898	$ 29,091,392

The components of the unpaid claims and claim adjustment expenses as of June 30, 2019 and 2018 are as follows:

	2019	2018
Reported claims	$ 12,910,422	$ 11,041,304
Claims incurred but not reported (IBNR)	15,947,909	16,411,403
Unallocated loss adjustment expenses (ULAE)	1,669,567	1,638,685
	$ 30,527,898	$ 29,091,392

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, 2019 and 2018

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

	2019	2018
Unpaid claims and claim adjustment expenses, beginning of fiscal year	$ 458,123	$ 433,535
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	8,036,654	8,609,660
Change in provision for covered events of prior years	(79,343)	(42,920)
Total incurred claims and claim adjustment expenses	7,957,311	8,566,740
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	7,549,252	8,151,537
Claims and claim adjustment expenses attributable to covered events of prior years	378,780	390,615
Total payments	7,928,032	8,542,152
Total unpaid claims and claim adjustment expenses, end of fiscal year	$ 487,402	$ 458,123

The components of the unpaid claims and claim adjustment expenses as of June 30, 2019 and 2018 are as follows:

	2019	2018
Claims incurred but not reported (IBNR)	$ 458,520	$ 430,091
Unallocated loss adjustment expenses (ULAE)	28,882	28,032
	$ 487,402	$ 458,123

See Note to Required Supplementary Information.

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 reinsurers, 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 reinsurers, 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 reinsurers 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, 2019

	Fiscal and Policy Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Premiums and investment revenue:										
Earned	$ 4,670,814	$ 4,437,401	$ 4,587,814	$ 4,570,799	$ 4,718,823	$ 4,736,364	$ 4,893,354	$ 5,127,267	$ 5,287,484	$ 5,760,406
Ceded	(2,029,476)	(2,136,302)	(2,174,576)	(2,252,564)	(2,098,444)	(2,038,313)	(2,188,404)	(2,348,552)	(2,295,764)	(2,482,230)
Net earned	$ 2,641,338	$ 2,301,099	$ 2,413,238)	$ 2,318,235	$ 2,620,379	$ 2,698,051	$ 2,704,950	$ 2,778,715	$ 2,991,720	$ 3,278,176
2. Unallocated expenses	$ 976,872	$ 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
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 949,464	$ 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
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 949,464	$ 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
4. Paid (cumulative) as of:										
End of policy year	$ 297,786	$ 374,792	$ 181,155	$ 261,801	$ 407,685	$ 260,214	$ 192,021	$ 439,989	$ 409,651	$ 617,957
One year later	$ 369,577	$ 581,525	$ 515,005	$ 684,322	$ 714,567	$ 574,924	$ 209,987	$ 667,044	$ 615,951	
Two years later	$ 578,675	$ 986,465	$ 841,837	$ 1,015,558	$ 1,321,792	$ 865,534	$ 349,144	$ 1,048,476		
Three years later	$ 603,087	$ 1,193,988	$ 898,305	$ 1,152,037	$ 2,055,972	$ 1,262,612	$ 415,522			
Four years later	$ 678,563	$ 1,423,117	$ 1,330,414	$ 1,150,489	$ 2,069,398	$ 1,262,983				
Five years later	$ 778,374	$ 2,043,620	$ 1,330,631	$ 1,157,997	$ 2,083,639					
Six years later	$ 777,324	$ 2,479,245	$ 1,282,087	$ 1,154,457						
Seven years later	$ 779,074	$ 2,481,852	$ 1,282,087							
Eight years later	$ 781,074	$ 2,484,008								
Nine years later	$ 781,074									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated incurred claims and expense:*										
End of policy year	$ 949,464	$ 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
One year later	$ 1,023,166	$ 1,337,842	$ 1,554,956	$ 1,457,451	$ 1,965,389	$ 1,536,333	$ 1,028,207	$ 1,698,285	$ 2,080,807	
Two years later	$ 913,965	$ 1,926,751	$ 1,993,741	$ 1,443,760	$ 3,521,412	$ 1,370,219	$ 798,558	$ 1,958,568		
Three years later	$ 817,879	$ 1,789,918	$ 1,938,618	$ 1,232,725	$ 3,170,917	$ 1,417,706	$ 927,720			
Four years later	$ 835,585	$ 2,164,785	$ 1,585,079	$ 1,152,233	$ 2,134,995	$ 1,263,400				
Five years later	$ 779,807	$ 2,280,509	$ 1,564,022	$ 1,160,169	$ 2,152,189					
Six years later	$ 778,761	$ 2,479,245	$ 1,282,087	$ 1,156,190						
Seven years later	$ 779,074	$ 2,481,852	$ 1,282,087							
Eight years later	$ 781,074	$ 2,488,981								
Nine years later	$ 781,074									
7. (Decrease) increase in estimated incurred claims and expense from end of policy year	$ (168,390)	$ 1,218,791	$ 56,079	$ (300,037)	$ 188,899	$ (226,855)	$ (555,102)	$ (108,689)	$ 78,671	$ -

(Continued)

SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
June 30, 2019

	Fiscal and Policy Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Premiums and investment revenue:										
Earned	$10,604,471	$ 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
Ceded	(502,937)	(417,465)	(412,221)	(416,306)	(542,673)	(525,910)	(589,613)	(651,633)	(775,011)	(743,401)
Net earned	$10,101,534	$ 8,761,838	$ 8,843,318	$ 8,383,589	$ 9,552,681	$ 9,529,098	$11,130,591	$11,082,632	$10,830,754	$ 2,282,518
2. Unallocated expenses	$ 2,100,466	$ 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
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 6,258,240	$ 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
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 6,258,240	$ 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
4. Paid (cumulative) as of:										
End of policy year	$ 866,988	$ 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
One year later	$ 2,433,073	$ 2,268,748	$ 2,574,456	$ 2,504,513	$ 2,967,263	$ 3,249,039	$ 3,632,211	$ 2,746,301	$ 3,420,164	
Two years later	$ 3,092,957	$ 3,031,334	$ 3,926,699	$ 3,683,366	$ 4,255,390	$ 4,633,855	$ 4,899,045	$ 4,074,718		
Three years later	$ 3,622,858	$ 3,478,651	$ 4,701,012	$ 4,554,441	$ 5,176,444	$ 5,048,933	$ 6,585,163			
Four years later	$ 3,750,574	$ 3,983,883	$ 5,384,048	$ 4,956,812	$ 5,764,152	$ 5,356,939				
Five years later	$ 4,090,177	$ 4,144,503	$ 5,620,921	$ 5,207,303	$ 6,550,821					
Six years later	$ 4,133,104	$ 4,462,363	$ 5,720,701	$ 5,354,591						
Seven years later	$ 4,167,729	$ 4,491,303	$ 5,741,384							
Eight years later	$ 4,176,768	$ 4,538,433								
Nine years later	$ 4,222,746									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$
6. Reestimated incurred claims and expense:										
End of policy year	$ 6,258,240	$ 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
One year later	$ 6,056,545	$ 6,105,500	$ 6,560,189	$ 6,383,619	$ 7,194,320	$ 8,115,098	$ 8,784,594	$ 7,968,030	$ 8,943,032	
Two years later	$ 6,055,259	$ 5,799,617	$ 6,919,126	$ 6,749,912	$ 7,536,614	$ 7,586,898	$ 8,683,360	$ 7,705,289		
Three years later	$ 5,730,847	$ 5,706,367	$ 7,007,894	$ 6,783,948	$ 7,389,499	$ 7,317,423	$ 9,330,451			
Four years later	$ 5,527,884	$ 5,774,212	$ 6,814,778	$ 6,612,451	$ 7,400,272	$ 7,022,035				
Five years later	$ 5,285,536	$ 5,364,482	$ 6,620,333	$ 6,602,567	$ 8,038,121					
Six years later	$ 5,019,596	$ 5,320,806	$ 6,522,221	$ 6,445,318						
Seven years later	$ 4,695,559	$ 5,112,722	$ 6,576,334							
Eight years later	$ 4,618,351	$ 5,078,887								
Nine years later	$ 4,591,527									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	$ (1,666,713)	$ (1,017,210)	$ (94,552)	$ 17,870	$ 962,361	$ (457,569)	$ 1,330,138	$ (354,483)	$ (513,642)	$ -

(Continued)

SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
DENTAL & VISION PROGRAM
June 30, 2019

	Fiscal and Policy Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Premiums and investment revenue:										
Earned	$61,058,702	$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
Ceded	(52,031,668)	(50,710,963)	(54,460,043)	(56,210,233)	(55,653,668)	(57,510,327)	(58,237,891)	(61,847,155)	(62,809,744)	(62,301,137)
Net earned	$ 9,027,034	$ 9,304,585	$10,390,981	$11,087,801	$11,394,251	$11,421,915	$11,735,813	$12,192,403	$11,517,625	$10,870,184
2. Unallocated expenses	$ 1,150,650	$ 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
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 7,200,332	$ 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
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 7,200,332	$ 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
4. Paid (cumulative) as of:										
End of policy year	$ 6,671,612	$ 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
One year later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938	$ 8,335,060	$ 8,607,684	$ 8,293,782	$ 8,431,728	$ 8,530,317	
Two years later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938	$ 8,335,060	$ 8,607,684	$ 8,293,782	$ 8,431,728		
Three years later	$ 7,182,584	$ 7,416,963	$ 7,553,519	$ 8,206,938	$ 8,335,060	$ 8,607,684	$ 8,293,782			
Four years later	$ 7,182,584	$ 7,416,963	$ 7,553,519	$ 8,206,938	$ 8,335,060	$ 8,607,684				
Five years later	$ 7,182,584	$ 7,416,963	$ 7,553,519	$ 8,206,938	$ 8,335,060					
Six years later	$ 7,182,584	$ 7,416,963	$ 7,553,519	$ 8,206,938						
Seven years later	$ 7,182,584	$ 7,416,963	$ 7,553,519							
Eight years later	$ 7,182,584	$ 7,416,963								
Nine years later	$ 7,182,584									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated incurred claims and expense:										
End of policy year	$ 7,200,332	$ 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
One year later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938	$ 8,335,060	$ 8,607,684	$ 8,264,109	$ 8,405,206	$ 8,502,285	
Two years later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938	$ 8,335,060	$ 8,607,684	$ 8,264,109	$ 8,405,206		
Three years later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938	$ 8,335,060	$ 8,607,684	$ 8,264,109			
Four years later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938	$ 8,335,060	$ 8,607,684				
Five years later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938	$ 8,335,060					
Six years later	$ 7,182,584	$ 7,416,963	$ 7,533,519	$ 8,206,938						
Seven years later	$ 7,182,584	$ 7,416,963	$ 7,533,519							
Eight years later	$ 7,182,584	$ 7,416,963								
Nine years later	$ 7,182,584									
7. (Decrease) increase in estimated incurred claims and expense from end of policy year	$ (17,748)	$ (58,700)	$ (43,682)	$ (65,469)	$ 92,582	$ 246,969	$ (153,702)	$ (42,920)	$ (79,343)	$ -

See Note to Required Supplementary Information.

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 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, 715 and 7.15 percent in the June 2013, 2014, 2015, 2016 and 2017 actuarial reports, respectively. The discount rate for OPEB was 2.92 percent, 3.56 percent and 3.62 percent as of the June 30, 2016, 2017 and 2018 actuarial valuation report, respectively.

SUPPLEMENTARY INFORMATION

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

	Property and Liability Programs	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 receivable	-	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	$ 13,485,495	$ 36,112,653	$ 15,091,766	$ 1,806,464	$ 66,496,378

(Continued)

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF NET POSITION
June 30, 2018

	Property and Liability Programs	Workers' Compensation Program	Employee Benefit Programs	Building Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,913,161	$ 36,474,602	$ 14,326,724	$ 595,608	$ 58,310,095
Investments	470,552	1,402,292	-	-	1,872,844
Receivables:					
Members	50,812	942,505	550,992	-	1,544,309
Interest	54,152	162,455	18,681	840	236,128
Excess insurance receivable	-	41,497	-	-	41,497
Prepaid expenses	2,646,182	623,315	339,048	(760)	3,607,785
Total current assets	10,134,859	39,646,666	15,235,445	595,688	65,612,658
Noncurrent assets:					
Investments, maturing after one year	8,478,472	25,444,778	-	-	33,923,250
Non-depreciable premises and equipment	-	-	-	300,000	300,000
Depreciable premises and equipment, net	2,394	35,583	-	889,468	927,445
Total assets	18,615,725	65,127,027	15,235,445	1,785,156	100,763,353
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	2,883	4,036	4,612	-	11,531
Deferred outflows of resources - pension	49,631	119,116	162,131	-	330,878
Total deferred outflows of resources	52,514	123,152	166,743	-	342,409
LIABILITIES					
Current liabilities:					
Accounts payable	36,550	238,742	198,702	36,789	510,783
Unearned revenue	-	-	1,246	-	1,246
Current portion of unpaid claims and claim adjustment expenses	1,216,796	6,533,631	458,123	-	8,208,550
Total current liabilities	1,253,346	6,772,373	658,071	36,789	8,720,579
Unpaid claims and claim adjustment expenses, net of current portion	2,497,704	22,557,761	-	-	25,055,465
Net pension liability	136,422	327,410	445,639	-	909,471
Other postemployment benefits	38,450	53,830	61,520	-	153,800
Total liabilities	3,925,922	29,711,374	1,165,230	36,789	34,839,315
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - OPEB	2,135	2,989	3,416	-	8,540
Deferred inflows of resources - pension	8,222	19,732	26,858	-	54,812
Total deferred inflows of resources	10,357	22,721	30,274	-	63,352
NET POSITION					
Net position:					
Net investment in capital assets	2,394	35,583	-	1,189,468	1,227,445
Unrestricted	14,729,566	35,480,501	14,206,684	558,899	64,975,650
Total net position	$ 14,731,960	$ 35,516,084	$ 14,206,684	$ 1,748,367	$ 66,203,095

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

	Property and Liability Programs	Workers' Compensation Program	Employee Benefit Programs	Building Fund	Total
Operating revenues:					
Member contributions	$ 5,142,781	$ 10,953,167	$ 72,973,816	$ -	$ 89,069,764
Expenses:					
Provision for claims and claim adjustment expenses	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	225,471	491,746	908,665	239,257	1,865,139
Total operating expenses	7,006,871	12,429,350	72,286,239	239,257	91,961,717
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	-	15	-	-	15
Total non-operating revenues	617,625	2,072,752	197,505	297,354	3,185,236
Change in net position	(1,246,465)	596,569	885,082	58,097	293,283
Net position, beginning of year	14,731,960	35,516,084	14,206,684	1,748,367	66,203,095
Net position, end of year	$ 13,485,495	$ 36,112,653	$ 15,091,766	$ 1,806,464	$ 66,496,378

(Continued)

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
For the Year Ended June 30, 2018

	Property and Liability Programs	Workers' Compensation Program	Employee Benefit Programs	Building Fund	Total
Operating revenues:					
Member contributions	$ 5,183,821	$ 11,102,055	$ 74,181,127	$ -	$ 90,467,003
Expenses:					
Provision for claims and claim adjustment expenses	817,210	8,365,569	8,566,740	-	17,749,519
Insurance premiums	2,295,764	775,011	62,809,744	-	65,880,519
Professional fees	702,000	878,263	904,966	-	2,485,229
Risk management fees	234,927	243,142	217,876	-	695,945
General and administrative expenses	178,177	376,443	858,315	235,946	1,648,881
Total operating expenses	4,228,078	10,638,428	73,357,641	235,946	88,460,093
Operating income	955,743	463,627	823,486	235,946	2,006,910
Non-operating revenues (expenses):					
Investment income	119,072	525,267	170,912	8,446	823,697
Rental (expense) income	(15,419)	(21,586)	(24,670)	265,878	204,203
Other income	10	29	-	155,379	155,418
Total non-operating revenues	103,663	503,710	146,242	429,703	1,183,318
Change in net position	1,059,406	967,337	969,728	193,757	3,190,228
Net position, beginning of year	13,672,554	34,548,747	13,236,956	1,554,610	63,012,867
Net position, end of year	$ 14,731,960	$ 35,516,084	$ 14,206,684	$ 1,748,367	$ 66,203,095

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
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 Schools Insurance Group as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise Schools Insurance Group's financial statements and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 over financial reporting 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

Crowe LLP

Sacramento, California
December 2, 2019