

SCHOOLS INSURANCE GROUP

FINANCIAL STATEMENTS

June 30, 2023 and 2022

SCHOOLS INSURANCE GROUP
Auburn, California

FINANCIAL STATEMENTS
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of Schools Insurance Group as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Schools Insurance Group's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Schools Insurance Group, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Schools Insurance Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Schools Insurance Group's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability on page 40, the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 41, the Schedule of the Group's Contributions on page 42, the Reconciliation of Claims Liability by Type of Contract on pages 43 through 45, and the Claims Development Information on pages 46 through 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Schools Insurance Group's basic financial statements. The Combining Statements of Net Position and Combining Statements of Revenues, Expenses and Change in Net Position are presented on pages 51 through 54 for purposes of additional analysis and are not a required part of the basic financial statements.

The information has not been subjected to the auditing procedures applied in 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 January 24, 2024 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 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 Schools Insurance Group's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Schools Insurance Group's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Boston, Massachusetts
January 24, 2024

Schools Insurance Group

Management's Discussion and Analysis

Fiscal Years 2022-23 and 2021-22

The Authority—An Overview

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

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

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

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

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

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

Description of Financial Statements

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

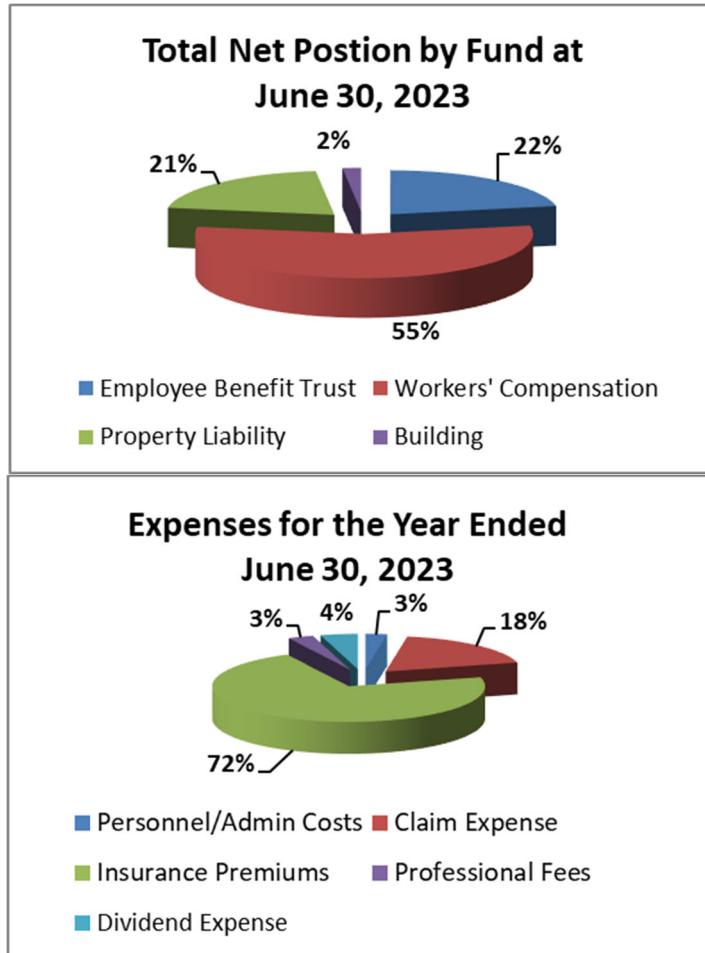
- This is the Management's Discussion and Analysis where SIG's financial activities are explained, based on currently known facts and conditions.
- The notes to the financial statements are an integral part of the financial statements and provide details on SIG membership, accounting policies, claim reserves and IBNR (incurred but not reported), net pension liability, other postemployment benefits, and other information in the statements.
- The financial statements include the Statements of Net Position, Statements of Revenues, Expenses and Change in Net Position and the Statements of Cash Flows, using the direct method for the operations of Schools Insurance Group for the fiscal years ending June 30, 2023 and 2022. 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, 2023 and 2022 and Claims Development Information for self-insured program years by type of fund for the recent ten years.
- The supplementary information includes the Combining Statements of Net Position and Combining Statements of Revenues, Expenses and Change in Net Position for fiscal years ended June 30, 2023 and 2022. Accounting for the individual programs is maintained internally to show the performance and activity of each fund.

Statements of Net Position

June 30, 2023, 2022, and 2021

	2023	2022	% Change	2021	% Change
ASSETS					
Current assets	\$ 114,044,202	\$ 108,683,108	4.93%	\$ 76,080,009	42.85%
Investments maturing after one year	11,264,842	9,255,455	21.71%	37,892,400	-75.57%
Leases Receivable	542,453	550,882	0		
Capital assets, net	1,178,197	1,082,000	8.89%	1,089,751	-0.71%
Total assets	<u>127,029,694</u>	<u>119,571,445</u>	<u>6.24%</u>	<u>115,062,160</u>	<u>3.92%</u>
Deferred Outflows of Resources	632,990	262,522	141.12%	274,347	-4.31%
LIABILITIES					
Current liabilities	12,324,884	8,810,750	39.88%	8,762,600	0.55%
Total non-current liabilities	<u>28,390,478</u>	<u>28,686,996</u>	<u>-1.03%</u>	<u>28,317,188</u>	<u>1.31%</u>
Total liabilities	40,715,362	37,497,746	8.58%	37,079,788	1.13%
Deferred Inflows of Resources	726,014	1,055,118	-31.19%	77,117	1268.20%
NET POSITION	<u><u>\$ 86,221,308</u></u>	<u><u>\$ 81,281,103</u></u>	<u><u>6.08%</u></u>	<u><u>\$ 78,179,602</u></u>	<u><u>3.97%</u></u>



Analysis of Balances and Transactions of Individual Programs

Employee Benefit Trust

There was a decrease in net position of \$948,099 for the current fiscal year. This was primarily due to a \$3.05 million dividend declared that was partially offset by medical waivers being more than sufficient to cover the wellness program and administrative costs of the program. Claims for the self-insured dental and vision programs were up slightly, and investment income was up approximately \$194,000 from the 2021-22 fiscal year. For the 2021-22 fiscal year, there was an increase in net position of \$1,381,664.

Workers' Compensation Program

There was an increase in net position for the current year of \$4,676,669 compared to the 2021-22 decrease in net position of \$561,313. The Schools Reinsurance Group Captive was formed effective July 1, 2023, and earned approximately \$3.9 million in investment earnings as compared to the negative investment earnings of \$1.4 million in the 2021-22 fiscal year. Claim expense was up approximately \$700,000 from prior year and the program declared a dividend in the amount of \$1.6 million. Both paid and incurred losses have developed by less than expected as per our actuary for older years, but more than expected for the two most recent years, and as a result, their estimate of ultimate losses for 2022-23 and prior has increased by \$1,800,000 compared to the prior year's report as of June 30, 2022. These factors combined have resulted in a significant increase to net position over prior year. SIG continues to invest in 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 quarterly meetings with legal counsel to strategize resolving critical claims. The financial impact of these programs has been substantial and SIG has been making significant progress in closing out old claims in addition to mitigating costs associated with new claims and reducing the number of claims overall. The SIG Workers' Compensation Program is currently in a very strong position, with equity in excess of the Targeted Equity Policy.

Property and Liability Program

The program experienced an increase in net position of \$1,439,762 as compared to the 2021-22 increase in net position of \$2,399,435. This was due mainly to an increase in claims expense over prior year. Effective with the 2020-21 fiscal year, SIG implemented a new data-driven rate funding model utilizing actuarial recommended funding levels. This new rate funding model has helped to stabilize the program and is projected to slowly grow reserve levels over time.

Building Program

There was a decrease in net position of \$228,127 for the 2022-23 fiscal year compared to the 2021-22 decrease in net position of \$118,285. The building is presently at 85% occupancy. Commercial office leasing has been slowly ticking up since COVID. Necessary maintenance projects will continue to be funded out of fund equity as we continue to work toward returning to full capacity with building improvements/enhancements.

Analysis of Overall Financial Position and Results of Operations

Total net position in SIG increased by \$4,940,205 between 2023 and 2022 and increased \$3,101,501 between 2022 and 2021. The increase in the current year is primarily due to the substantial increase to net position in the Workers' Compensation program. At June 30, 2023, approximately \$11.3 million of investments were classified as long-term with terms between one and five years compared to \$9.3 million of long-term investments for the 2022 fiscal year.

Member contributions for SIG increased by 4.7% for the 2023 fiscal year from 2022, compared to the 6.1% increase for the 2022 year over 2021. Rates in all three programs were fairly stable as compared to the prior year.

Administrative and Personnel expenses were 2.5% of member contributions for the 2023 fiscal year compared to 2.3% in the 2022 fiscal year.

Insurance Market Condition and Economic Outlook

Events of 2023 continue to impact the insurance marketplace in unforeseen ways. Severe storms, wildfire, legislation, and regulation continue to influence the availability and cost of SIG's self-insured and insurance costs.

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

The Property Casualty market continues to be hard. SIG has had to make minor adjustments to self-insured retention levels for some coverages, although the impact to members is mitigated due to SIG's strong financial position as well as comprehensive risk prevention and mitigation strategies. SIG's capacity is adequate to meet the needs of our member districts. Work will continue to ensure the long-term stability of the JPA as markets are expected to react for upcoming renewals, with SIG always looking for ways to continue to provide broad coverage in the most cost effective way.

COVID's aftermath is impacting the Workers' Compensation program through a rise in psych and stress claims. Statutory changes in the Workers' Compensation environment have been minimal, however there has been an uptick in regulatory activity which is anticipated to continue. Overall claims experience continues to be higher than usual for the two most recent years and has not decreased to pre-COVID levels at the present time.

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

Capital Assets

In May of 1995, Schools Insurance Group purchased an office building in Auburn, CA to house its administrative office. The building has a total of approximately 27,000 sq ft of rentable space divided into 24 individual offices. The building was 85% occupied as of the end of June 2023, and is at 90% occupancy as of December 2023. Commercial office leasing has been slow post COVID, and the majority of the tenants are on a month-to-month basis, however office leasing is slowly ticking up. The book value of our real property, office furniture, and vehicles totals \$1,178,197 as of June 30, 2023.

FINANCIAL STATEMENTS

**SCHOOLS INSURANCE GROUP
STATEMENTS OF NET POSITION
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 43,435,839	\$ 99,242,194
Investments (Notes 3 and 4)	60,502,704	105,947
Receivables:		
Members	2,738,659	6,157,064
Interest	134,685	63,595
Excess insurance	101,969	16,893
Prepaid expenses	7,130,346	3,097,415
Total current assets	114,044,202	108,683,108
Noncurrent assets:		
Investments, maturing after one year (Notes 3 and 4)	11,264,842	9,255,455
Leases receivable	542,453	550,882
Non-depreciable premises and equipment (Note 5)	300,000	300,000
Depreciable premises and equipment, net (Note 5)	878,197	782,000
Total assets	127,029,694	119,571,445
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – OPEB (Note 7)	1,333	7,390
Deferred outflows of resources – pension (Note 8)	631,657	255,132
Total deferred outflows of resources	632,990	262,522
LIABILITIES		
Current liabilities:		
Accounts payable	1,712,884	469,750
Current portion of unpaid claims and claim adjustment expenses (Note 6)	10,612,000	8,341,000
Total current liabilities	12,324,884	8,810,750
Unpaid claims and claim adjustment expenses, net of current portion (Note 6)	27,086,102	28,024,606
Net pension liability (Note 8)	1,261,657	506,655
Other postemployment benefits (Note 7)	42,719	155,735
Total liabilities	40,715,362	37,497,746
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – leases	542,453	550,882
Deferred inflows of resources – OPEB (Note 7)	106,671	12,346
Deferred inflows of resources – pension (Note 8)	76,890	491,890
Total deferred inflows of resources	726,014	1,055,118
NET POSITION		
Net position:		
Net investment in capital assets	1,178,197	1,082,000
Unrestricted	85,043,111	80,199,103
Total net position	\$ 86,221,308	\$ 81,281,103

See accompanying notes to financial statements.

SCHOOLS INSURANCE GROUP
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Member contributions	\$ 106,493,047	\$ 101,731,204
Operating expenses:		
Claims expense	19,491,945	16,660,438
Excess insurance premiums	76,068,720	74,686,517
Professional fees	1,933,603	2,120,962
Risk management fees	1,280,466	1,203,540
Dividend expense	4,709,253	-
General and administrative expenses (Note 9)	<u>2,713,748</u>	<u>2,300,948</u>
Total operating expenses	<u>106,197,735</u>	<u>96,972,405</u>
Operating income	295,312	4,758,799
Non-operating revenues (losses):		
Investment income (losses)	4,454,230	(1,833,144)
Rental income (Note 11)	190,555	174,872
Other income	<u>108</u>	<u>974</u>
Total non-operating revenues (losses)	<u>4,644,893</u>	<u>(1,657,298)</u>
Change in net position	4,940,205	3,101,501
Net position, beginning of year	<u>81,281,103</u>	<u>78,179,602</u>
Net position, end of year	<u>\$ 86,221,308</u>	<u>\$ 81,281,103</u>

See accompanying notes to financial statements.

**SCHOOLS INSURANCE GROUP
STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from members and others	\$ 109,826,376	\$ 97,145,953
Cash paid for claims	(18,159,449)	(15,696,936)
Cash paid for excess insurance premiums	(78,858,517)	(76,055,896)
Cash paid for dividends	(4,709,253)	-
Cash paid for contract services	(1,933,603)	(2,120,962)
Cash paid for risk management	(1,280,466)	(1,203,540)
Cash paid for general and administrative	(1,150,512)	(920,146)
Cash paid to employees for services	(1,544,647)	(1,348,773)
Net cash provided by (used in) operating activities	2,189,929	(200,300)
Cash flows from capital and related financing activities:		
Purchase of premises and equipment	(163,943)	(121,092)
Net cash used in financing activities	(163,943)	(121,092)
Cash flows from investing activities:		
Investment income (expense) received (paid)	2,254,506	(1,066,197)
Purchase of investments	(71,209,300)	(13,070,777)
Sale of investments	10,931,790	42,975,310
Rental income	190,555	174,872
Other cash received	108	974
Net cash (used in) provided by investing activities	(57,832,341)	29,014,182
Net change in cash and cash equivalents	(55,806,355)	28,692,790
Cash and cash equivalents, beginning of year	99,242,194	70,549,404
Cash and cash equivalents, end of year	\$ 43,435,839	\$ 99,242,194

(Continued)

**SCHOOLS INSURANCE GROUP
STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 295,312	\$ 4,758,799
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	67,746	128,843
Decrease (increase) in:		
Members' receivable	3,418,405	(4,578,951)
Excess insurance receivable	(85,076)	(6,300)
Prepaid expenses	(4,032,931)	(1,359,593)
Deferred outflows	(370,468)	11,825
(Decrease) increase in:		
Accounts payable	1,243,134	(9,786)
Net pension liability	755,002	(538,379)
Other post employment benefits	(113,016)	2,621
Unpaid claims and claim adjustment expenses	1,332,496	963,502
Deferred inflows	(320,675)	427,119
Total adjustments	1,894,617	(4,959,099)
Net cash provided by (used in) operating activities	<u>\$ 2,189,929</u>	<u>\$ (200,300)</u>
Supplemental Information:		
Change in fair value of investments	<u>\$ 2,128,634</u>	<u>\$ (667,690)</u>

See accompanying notes to financial statements.

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Schools Insurance Group (the Group or SIG) was established by a Joint Powers Agreement on December 28, 1978, for the operation of a common risk management and insurance program for member school districts, transportation agencies, county offices of education and a community college. Member districts may elect to participate in these programs. The Group's general objectives are to formulate, develop and administer, on behalf of the members, a program providing for indemnity coverage. Currently, the Group has 34 members (31 voting members), 33 who participate in Workers' Compensation, 25 members who participate in Employee Benefits, and 30 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."

In June 2022, the Group established a captive insurance company, Schools Reinsurance Group (SRG). SRG began operations July 1, 2022. The captive is included as a blended component.

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 SRG 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.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SRG is considered to be a blended component unit as they serve the primary government exclusively. All transactions between SIG and its blended component unit are eliminated upon consolidation.

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

As of June 30, 2023, 33 members participate in the Workers' Compensation program. Each member pays the Group monthly contributions based on the following formula:

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

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

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

Effective July 1, 2022, SIG entered into a reinsurance agreement with SRG whereby SRG reinsures workers' compensation and employer's liability losses with limits of \$1,000,000 for claims incurred subsequent to July 1, 2022.

Additionally, effective July 7, 2022, SIG entered into a loss portfolio transfer agreement with SRG which included workers' compensation coverage with varying policy limits between \$200,000 and \$1,000,000 for claims which incurred between July 1, 1972 and June 30, 2022. As a result of this transfer, SIG paid SRG \$27,231,000 in premiums and SRG assumed \$27,231,000 of unpaid claims and claim adjustment expenses. These transactions have been eliminated within the accompanying financial statements.

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

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Audit costs
- Broker fees
- Property appraisal fees
- Miscellaneous

As of June 30, 2023, 30 members participate in the Property/Liability program. The Executive Committee determines contribution requirements annually for the Property/Liability program and recommends to the Joint Powers Board contribution amounts per district adequate to fund for insurance premiums and projected losses.

Member Deductible	\$1,000 to \$5,000/\$25,000 per occurrence (varies)
Self Insured Retention Property	\$250,000 per occurrence
Self Insured Retention Liability	\$1,000,000 per occurrence
Excess Property	\$250,001 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

As of June 30, 2023, 25 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 and Cash Equivalents: Cash consists of cash on deposit at financial institutions. Cash equivalents are comprised of money market funds and investments readily convertible into known amounts of cash with original maturities at date of purchase of three months or less. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 per depositor, per bank. It is the Company's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. During the normal course of business, the Company maintains cash balances in excess of the FDIC insurance limit. Money market funds are not insured by the FDIC.

Fair Value of Pooled Investments: The Group records its deposits in the Placer County Treasury at fair value. Changes in fair value are reported as revenue in the statements of revenues, expenses and change in net position. The fair value of pooled investments at June 30, 2023 and 2022 approximated their carrying value.

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

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Leases: The Group is a lessor for leases of office space within the building they own. The Group recognizes a lease receivable and deferred income in the financial statements.

At the commencement of a lease, the Group initially measures the lease receivable and deferred inflows of resources at the present value of payments expected to be made during the lease term. The lease receivable and deferred inflows from resources are reduced by the monthly payments received as rental income. As of June 30, 2023 and 2022, the Group had 12 and 11 lease agreements in place, respectively, ranging in terms from 12 months to 60 months.

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. The Group declared and paid dividends in the amount of \$4,709,253 during the year ended June 30, 2023. The Group did not declare dividends during the year ended June 30, 2022.

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

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of 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 leases, total OPEB liability and net pension liability reported which is in the statements of net position.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023 and 2022, the Group's Property, Liability and Workers' Compensation Programs provide self-insured retention of \$250,000, \$1,000,000 and \$1,000,000 per incident, respectively. Risks ceded to other entities are treated as though they were not risks for which the Group is liable. Settlements have not exceeded insurance coverage in each of the past three years.

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events: The Group has reviewed all events occurring from June 30, 2023 through January 24, 2024, the date the financial statements were available to be issued. No subsequent event occurred requiring accrual or disclosure.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash in County Treasury	\$ 38,131,559	\$ 33,215,577
Cash on hand and in banks	<u>5,304,280</u>	<u>66,026,617</u>
Total cash and cash equivalents	<u>\$ 43,435,839</u>	<u>\$ 99,242,194</u>

Cash in County Treasury: In accordance with the Joint Powers Agreement, the Group maintains a portion 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, 2023 and 2022, 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, 2023, the carrying amount of the Group's accounts were \$5,304,280 and the bank balances were \$13,929,599, of which \$13,548,101 was uninsured but collateralized. At June 30, 2022, the carrying amount of the Group's accounts were \$66,026,617 and the bank balances were \$67,799,436, of which \$67,549,436 was uninsured but collateralized.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023:

	Fair Value Measurements at June 30, 2023, Using			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money markets	\$ 148,208	\$ 148,208	\$ -	\$ -
Debt securities:				
Corporate bonds	1,698,354	-	1,698,354	-
U.S. Government sponsored entities and agencies	4,667,437	-	4,667,437	-
Commercial asset-backed securities	722,001	-	722,001	-
Municipal bond	1,751,399	-	1,751,399	-
Government asset-backed securities	720,500	-	720,500	-
Total debt securities	9,559,691	-	9,559,691	-
Mutual funds	<u>62,207,855</u>	<u>62,207,855</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 71,915,754</u>	<u>\$ 62,356,063</u>	<u>\$ 9,559,691</u>	<u>\$ -</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents information about the Group's assets measured at fair value on a recurring basis as of June 30, 2022:

	Fair Value Measurements at June 30, 2022, Using			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
Corporate bonds	\$ 1,799,217	\$ -	\$ 1,799,217	\$ -
U.S. Government sponsored entities and agencies	3,870,325	-	3,870,325	-
Commercial asset-backed securities	687,911	-	687,911	-
Municipal bond	2,024,212	-	2,024,212	-
Supra-national agency bond	274,445	-	274,445	-
Government asset-backed securities	<u>705,292</u>	<u>-</u>	<u>705,292</u>	<u>-</u>
Total	\$ 9,361,402	\$ -	\$ 9,361,402	\$ -

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)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 debt securities held at June 30, 2023 consist of the following:

	Maturity			
	Fair Value	Less Than One Year	One Year Through Five Years	
Debt securities:				
Corporate bonds	\$ 1,698,354	\$ -	\$ 1,698,354	
U.S. Government sponsored entities and agencies	4,667,437	62,390	4,605,047	
Commercial asset-backed securities	722,001	254,995	467,006	
Municipal bond	1,751,399	105,000	1,646,399	
Government asset-backed securities	720,500	-	720,500	
	<hr/> <u>\$ 9,559,691</u>	<hr/> <u>\$ 422,385</u>	<hr/> <u>\$ 9,137,306</u>	

Maturities of debt securities held at June 30, 2022 consist of the following:

	Maturity			
	Fair Value	Less Than One Year	One Year Through Five Years	
Debt securities:				
Corporate bonds	\$ 1,799,217	\$ -	\$ 1,799,217	
U.S. Government sponsored entities and agencies	3,870,325	-	3,870,325	
Commercial asset-backed securities	687,911	92,268	595,643	
Municipal bond	2,024,212	-	2,024,212	
Supra-national agency bond	274,445	-	274,445	
Government asset-backed securities	705,292	13,679	691,613	
	<hr/> <u>\$ 9,361,402</u>	<hr/> <u>\$ 105,947</u>	<hr/> <u>\$ 9,255,455</u>	

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 places minimum credit rating requirements on various investment types and the Group's Investment Policy places additional limits. Credit criteria in the Group's Investment Policy includes the following restrictions: medium-term corporate notes, municipal obligations, and negotiable certificates of deposit must be rated in a rating category of "A" or the equivalent or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO), asset-backed securities and supranationals must be rated in a rating category of "AA" or the equivalent or better by at least one NRSRO, and commercial paper must be rated at least A-1 or the equivalent. If the investment subsequently is downgraded below an "A" rating, the Executive Director shall notify the Executive Committee upon learning of the downgrade. As of June 30, 2023 and 2022, investments held by the Group met the rating requirements described above.

Concentration of Investment Credit Risk: The Group limits the amount that can be invested in corporate obligations to no more than 30% of the Group's investment portfolio. No more than 5% of the Group's total investment portfolio plus its cash in Placer County Treasury will be invested in a single issuer or with a single financial institution, excluding instruments in U.S. Treasuries, Federal Agencies, repurchase agreements, supranationals, and pooled investments. At June 30, 2023 and 2022, the Group had the following investments that represent more than 5% of the Group's net investments:

	<u>2023</u>	<u>2022</u>
United States Treasury	7%	41%

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Non-depreciable:		
Land	\$ 300,000	\$ 300,000
Depreciable:		
Building and improvements	2,622,801	2,462,228
Office equipment and furniture	419,795	416,425
 Subtotal	 3,342,596	 3,178,653
 Less: accumulated depreciation	 (2,164,399)	 (2,096,653)
 <hr/>	 <hr/>	 <hr/>
	<hr/> <u>\$ 1,178,197</u>	<hr/> <u>\$ 1,082,000</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 5 - PREMISES AND EQUIPMENT (Continued)

Activity for premises and equipment for the years ended June 30, 2023 and 2022 included the following:

	<u>2023</u>	<u>2022</u>
Premises and equipment, beginning of year	\$ 1,082,000	\$ 1,089,751
Purchases	163,943	121,092
Disposals	-	-
Current year depreciation	<u>(67,746)</u>	<u>(128,843)</u>
 Premises and equipment, end of year	 <u>\$ 1,178,197</u>	 <u>\$ 1,082,000</u>

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, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 36,365,606	\$ 35,402,104	\$ 37,275,900
 Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	21,490,282	19,878,333	17,834,930
Change in provision for covered events of prior years	<u>(1,998,337)</u>	<u>(3,217,895)</u>	<u>(4,530,342)</u>
Total incurred claims and claim adjustment expenses	<u>19,491,945</u>	<u>16,660,438</u>	<u>13,304,588</u>
 Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	9,852,814	9,355,119	8,642,841
Claims and claim adjustment expenses attributable to covered events of prior years	<u>8,306,635</u>	<u>6,341,817</u>	<u>6,535,543</u>
Total payments	<u>18,159,449</u>	<u>15,696,936</u>	<u>15,178,384</u>
 Total unpaid claims and claim adjustment expenses, end of fiscal year	 <u>\$ 37,698,102</u>	<u>\$ 36,365,606</u>	<u>\$ 35,402,104</u>

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

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

The components of the unpaid claims and claim adjustment expenses as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Reported claims	\$ 19,622,400	\$ 15,308,337
Claims incurred but not reported (IBNR)	16,084,600	19,106,664
Unallocated loss adjustment expenses (ULAE)	<u>1,991,102</u>	<u>1,950,605</u>
	37,698,102	36,365,606
Current portion	<u>(10,612,000)</u>	<u>(8,341,000)</u>
	<u>\$ 27,086,102</u>	<u>\$ 28,024,606</u>

At June 30, 2023 and 2022, the liability was reported at the present value using an expected future investment yield assumption of 3% for the Workers' Compensation Program and 0.5% for the Property/Liability Program. The undiscounted liability at June 30, 2023 and 2022 is \$41,288,100 and \$40,504,801, 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.

As a result of changes in estimates of insured events in prior years, incurred losses and loss adjustment expenses decreased by \$1,998,337 in 2023, which was primarily due to favorable loss development on workers' compensation claims. As a result of changes in estimates of insured events in prior years, incurred losses and loss adjustment expenses decreased by \$3,217,895 in 2022 and, \$4,530,342 in 2021, which was primarily due to favorable loss development on property/liability and workers' compensation claims.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Plan Description: In addition to the pension benefits described in Note 8, the Group subsidized the cost of retiree medical coverage for a closed group. The plan does not issue separate financial statements. The Group's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The Group's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2023, 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.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2023:

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	-
Inactive employees/dependents entitled to but not yet receiving benefits	-
Active employees	<u>10</u>
	<u>10</u>

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

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

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

Contributions to the Plan from the Group were \$7,390 and \$12,344 for the years ended June 30, 2023 and 2022, respectively. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

At June 30, 2023, the Group's total OPEB liability of \$42,719 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date. At June 30, 2022, the Group's total OPEB liability of \$155,735 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the August 2, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Funding Method	Entry age normal cost, level percent of 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 2021 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	1.92% as of June 30, 2021 3.69% as of June 30, 2022
Retirement Rate	Retirement rates match rates developed in the experience studies for California PERS (2021)
Termination Rate	2021 CalPERS Experience Study
Inflation Rate	2.50% per year
Salary Increases	3.00% per year
Health Care Cost Trend Rate	5.8% (increase effective January 1, 2023) and grade down to 3.9% for years 2076 and later.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	<u>2023</u>	<u>2022</u>
Total OPEB Liability, beginning of year	\$ 155,735	\$ 153,114
Changes for the year:		
Service cost	5,106	4,769
Interest	3,017	3,717
Difference in plan experience	(102,394)	-
Changes in assumptions	(11,355)	6,479
Benefits payments	(7,390)	(12,344)
Net change	<u>(113,016)</u>	<u>2,621</u>
Total OPEB Liability, end of year	<u>\$ 42,719</u>	<u>\$ 155,735</u>

There were no changes between the measurement date and the years ended June 30, 2023 and 2022, which had a significant effect on the Group's total OPEB liability. The difference in plan experience in 2023 mainly relates to a deceased retiree.

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:

	2023		
	1% Decrease <u>(2.69%)</u>	Current Discount Rate <u>(3.69%)</u>	1% Increase <u>(4.69%)</u>
Total OPEB Liability	\$ 45,474	\$ 42,719	\$ 40,175
2022			
	2022		
	1% Decrease <u>(0.92%)</u>	Current Discount Rate <u>(1.92%)</u>	1% Increase <u>(2.92%)</u>
Total OPEB Liability	<u>\$ 169,425</u>	<u>\$ 155,735</u>	<u>\$ 143,915</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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:

	2023		
	1% Decrease <u>(4.80%)</u>	Healthcare Cost Trend <u>Rate (5.80%)</u>	1% Increase <u>(6.80%)</u>
Total OPEB Liability	<u>\$ 41,662</u>	<u>\$ 42,719</u>	<u>\$ 43,748</u>
<hr/>			
	2022		
	1% Decrease <u>(4.70%)</u>	Healthcare Cost Trend <u>Rate (5.70%)</u>	1% Increase <u>(6.70%)</u>
Total OPEB Liability	<u>\$ 145,001</u>	<u>\$ 155,735</u>	<u>\$ 168,033</u>

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

For the year ended June 30, 2023, the Group recognized OPEB income of \$11,145. At June 30, 2023, the Group reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
		<u>of Resources</u>	<u>of Resources</u>
Difference between expected and actual experience		\$ -	\$ 107,930
Changes of assumptions		-	(1,259)
Net differences between projected and actual earnings on investments		-	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions		-	-
Contributions made subsequent to measurement date	1,333	-	-
Total	<u>\$ 1,333</u>	<u>\$ 106,671</u>	

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Deferred outflows of resources of \$1,333 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended <u>June 30,</u>	
2024	\$ (18,373)
2025	\$ (18,954)
2026	\$ (19,587)
2027	\$ (19,306)
2028	\$ (15,617)
Thereafter	\$ (14,833)

For the year ended June 30, 2022, the Group recognized OPEB expense of \$4,533. At June 30, 2022, the Group reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2022</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
		<u>of Resources</u>	<u>of Resources</u>
Difference between expected and actual experience	\$ -	\$ -	-
Changes of assumptions	- -	(13,214)	-
Net differences between projected and actual earnings on investments	- -	25,560	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	- -	-	-
Contributions made subsequent to measurement date	7,390	-	-
Total	\$ 7,390	\$ 12,346	-

Deferred outflows of resources of \$7,390 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, 2023.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

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

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

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

The required contribution rates of most active plan members are based on a percentage of salary ranging from zero dollars to \$975 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members – The member contribution rate was 7% of applicable member earnings for fiscal years 2022-23 and 2021-22.

Employers – The employer contribution rate was 12.47% and 10.88% of applicable member earnings for fiscal years 2022-23 and 2021-22, respectively.

The Group's contribution to CalPERS for the fiscal years ending June 30, 2023, 2022, and 2021, were \$175,311, \$162,498, and \$139,998, 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, 2023, the Group reported a liability of \$1,261,657 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2023, the Group's proportion was 0.027 percent, which was consistent with its proportion measured as of June 30, 2022.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

At June 30, 2022, the Group reported a liability of \$506,655 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the Group's proportion was 0.025 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2023, the Group recognized pension income of \$36,523. At June 30, 2023, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25,337	\$ 16,969
Changes of assumptions	129,283	-
Net differences between projected and actual earnings on investments	231,101	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	70,625	59,921
Contributions made subsequent to measurement date	175,311	-
Total	\$ 631,657	\$ 76,890

As of June 30, 2023, \$175,311 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, 2024.

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

Years Ended <u>June 30,</u>	
2024	\$ 97,829
2025	\$ 88,733
2026	\$ 51,544
2027	\$ 141,350

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

For the year ended June 30, 2022, the Group recognized pension income of \$93,957. At June 30, 2022, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2022</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 56,815	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	442,283
Changes in proportion and differences between JPA contributions and proportionate share of contributions	35,819	49,608
Contributions made subsequent to measurement date	162,498	-
Total	<u>\$ 255,132</u>	<u>\$ 491,891</u>

As of June 30, 2022, \$162,498 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended June 30, 2023.

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, 2023 and 2022 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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	2000 to 2019
Actuarial Cost Method	Varies by entry age and service
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Salary Increase	Varies by Entry Age and Service
Post-retirement Benefit Increases	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement mortality rates include projected mortality improvement using scales published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

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

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

<u>Asset Class</u>	<u>Long-Term % Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10**</u>
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00	3.84
Private equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed securities	5.00	0.50
Investment grade corporates	10.00	1.56
High yield	5.00	2.27
Emerging market debt	5.00	2.48
Private debt	5.00	3.57
Real assets	15.00	3.21
Leverage	(5.00)	(0.59)

** An expected inflation of 2.30% used for this period.

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

Discount rate: At June 30, 2023 and 2022, the discount rate used to measure the total pension liability was 6.90% and 7.15%, respectively. 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 years ended June 30, 2023 and 2022, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 6.90% and 7.15%, respectively, 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:

	2023		
	1% Decrease <u>(5.90%)</u>	Current Discount <u>Rate (6.90%)</u>	1% Increase <u>(7.90%)</u>
Group's proportionate share of the net pension liability	\$ 1,990,319	\$ 1,261,657	\$ 662,148
	2022		
	1% Decrease <u>(6.15%)</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15%)</u>
Group's proportionate share of the net pension liability	\$ 1,159,842	\$ 506,655	\$ (33,325)

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)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 9 - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 1,495,490	\$ 1,251,959
Depreciation	67,746	128,843
Office expenses	112,938	57,604
Professional services	134,701	176,906
Member services	20,645	17,665
Travel and conference	45,627	30,295
Building expense	419,463	234,057
Other expenses	417,138	403,619
 Total	<u>\$ 2,713,748</u>	<u>\$ 2,300,948</u>

NOTE 10 - JOINT POWERS AGREEMENT

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

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

Condensed financial information for SELF for the fiscal year ended June 30, 2023 (most recent information available) is as follows (in thousands):

	<u>2023</u>
Total assets	\$ 279,750
Total deferred outflows	706
Total liabilities	241,775
Total deferred inflows	104
 Total net position	<u>\$ 38,577</u>
 Revenues	<u>\$ 57,218</u>
Expenses	<u>\$ 108,529</u>
 Change in net position	<u>\$ (51,311)</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023, are as follows:

Years Ended <u>June 30,</u>	\$	
2024	\$ 185,447	
2025	141,223	
2026	117,243	
2027	90,677	
Thereafter	<u>15,187</u>	
 Total	 <u>\$ 549,777</u>	

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 12 - BLENDED COMPONENT UNITS

Condensed combining statements of net position for SIG and its blended component unit are shown below:

	<u>Schools Insurance Group</u>	<u>Schools Reinsurance Group</u>	<u>Eliminations</u>	<u>Total Combined</u>
ASSETS				
Current assets	\$ 52,975,103	\$ 61,069,099	\$ -	\$ 114,044,202
Noncurrent assets:				
Non-depreciable premises and equipment	300,000	-	-	300,000
Depreciable premises and equipment, net	878,197	-	-	878,197
Other noncurrent assets	10,510,753	2,127,536	(830,994)	11,807,295
Total noncurrent assets	<u>11,688,950</u>	<u>2,127,536</u>	<u>(830,994)</u>	<u>12,985,492</u>
Total assets	64,664,053	63,196,635	(830,994)	127,029,694
Deferred outflows	632,990	-	-	632,990
Total assets and deferred outflows	<u>\$ 65,297,043</u>	<u>\$ 63,196,635</u>	<u>\$ (830,994)</u>	<u>\$ 127,662,684</u>
LIABILITIES				
Current liabilities:				
Current liabilities	\$ 4,931,884	\$ 7,393,000	\$ -	\$ 12,324,884
Noncurrent liabilities	7,638,478	21,582,994	(830,994)	28,390,478
Total liabilities	<u>12,570,362</u>	<u>28,975,994</u>	<u>(830,994)</u>	<u>40,715,362</u>
Deferred inflows	726,014	-	-	726,014
NET POSITION				
Net investment in capital assets	1,178,197	-	-	1,178,197
Unrestricted	50,822,470	34,220,641	-	85,043,111
Total net position	<u>52,000,667</u>	<u>34,220,641</u>	<u>-</u>	<u>86,221,308</u>
Total liabilities, deferred inflows, and net position	<u>\$ 65,297,043</u>	<u>\$ 63,196,635</u>	<u>\$ (830,994)</u>	<u>\$ 127,662,684</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 12 - BLENDED COMPONENT UNITS (Continued)

Condensed combining statements of revenues, expenses, and changes in net position for June 30, 2023 are as follows:

	<u>Schools Insurance Group</u>	<u>Schools Reinsurance Group</u>	<u>Eliminations</u>	<u>Total Combined</u>
Operating revenues:				
Member contributions	\$ 106,493,047	\$ 35,944,000	\$ (35,944,000)	\$ 106,493,047
Operating expenses:				
Claims expense	(16,776,972)	36,268,917	-	19,491,945
Excess insurance premiums	112,012,720	-	(35,944,000)	76,068,720
Professional fees	1,933,603	-	-	1,933,603
Risk management fees	1,280,466	-	-	1,280,466
Dividend expense	4,709,253	-	-	4,709,253
General and administrative expenses	2,695,961	37,787	(20,000)	2,713,748
 Total operating expenses	 105,855,031	 36,306,704	 (35,964,000)	 106,197,735
 Operating income (loss)	 638,016	 (362,704)	 20,000	 295,312
Non-operating revenues:				
Investment income	702,137	3,752,093	-	4,454,230
Gain on investment in SRG	3,389,389	-	(3,389,389)	-
Rental income	190,555	-	-	190,555
Other income	20,108	-	(20,000)	108
 Total non-operating revenues	 4,302,189	 3,752,093	 (3,409,389)	 4,644,893
 Change in net position	 4,940,205	 3,389,389	 (3,389,389)	 4,940,205
 Net position, beginning of year	 81,281,103	 -	 -	 81,281,103
 Net position, end of year	 <u>\$ 86,221,308</u>	 <u>\$ 3,389,389</u>	 <u>\$ (3,389,389)</u>	 <u>\$ 86,221,308</u>

(Continued)

SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 12 - BLENDED COMPONENT UNITS (Continued)

Condensed combining information related to cash flows for the year ended June 30, 2023 is as follows:

	Schools Insurance <u>Group</u>	Schools Reinsurance <u>Group</u>	<u>Eliminations</u>	Total <u>Combined</u>
Net cash provided by operating activities	\$ 2,189,929	\$ 30,800,399	\$(30,800,399)	\$ 2,189,929
Net cash used in financing activities	(163,943)	30,831,252	(30,831,252)	(163,943)
Net cash used in investing activities	<u>(57,832,341)</u>	<u>(60,663,442)</u>	<u>60,663,442</u>	<u>(57,832,341)</u>
Net change in cash and cash equivalents	(55,806,355)	968,209	(968,209)	(55,806,355)
Cash and cash equivalents, beginning of year	<u>99,242,194</u>	<u>-</u>	<u>-</u>	<u>99,242,194</u>
Cash and cash equivalents, end of year	<u>\$ 43,435,839</u>	<u>\$ 968,209</u>	<u>\$ (968,209)</u>	<u>\$ 43,435,839</u>

NOTE 13 - 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

SCHOOLS INSURANCE GROUP
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
Year Ended June 30, 2023

Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB Liability						
Service cost	\$ 1,196	\$ 4,495	\$ 4,625	\$ 4,913	\$ 4,769	\$ 5,106
Interest	4,856	6,726	6,585	5,749	3,717	3,017
Change in benefit terms	-	39,619	-	-	-	-
Difference in plan experience	-	-	-	(35,928)	-	(102,394)
Change in assumptions	(10,441)	(902)	7,113	7,957	6,479	(11,355)
Benefit payments	(13,843)	(17,947)	(17,018)	(16,673)	(12,344)	(7,390)
Net change in total OPEB liability	(18,232)	31,991	1,305	(33,982)	2,621	(113,016)
Total OPEB Liability - beginning of year	<u>172,032</u>	<u>153,800</u>	<u>185,791</u>	<u>187,096</u>	<u>153,114</u>	<u>155,735</u>
Total OPEB Liability - end of year	<u>\$ 153,800</u>	<u>\$ 185,791</u>	<u>\$ 187,096</u>	<u>\$ 153,114</u>	<u>\$ 155,735</u>	<u>\$ 42,719</u>
Covered employee payroll	\$ 646,524	\$ 682,644	\$ 736,987	\$ 801,165	\$ 859,425	\$ 966,946
Total OPEB liability as a percentage of covered employee payroll	23.79%	27.22%	25.39%	19.11%	18.12%	4.42%

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
Year Ended June 30, 2023

	Public Employer's Retirement Fund C Last 10 Fiscal Years								
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Group's proportion of the net pension liability	0.009%	0.027%	0.027%	0.025%	0.023%	0.024%	0.025%	0.027%	0.027%
Group's proportionate share of the net pension liability	\$ 586,624	\$ 730,202	\$ 931,866	\$ 909,471	\$ 878,160	\$ 960,759	\$ 1,045,034	\$ 506,655	\$ 1,261,657
Group's covered payroll	\$ 533,000	\$ 626,000	\$ 637,000	\$ 520,000	\$ 627,000	\$ 736,000	\$ 803,000	\$ 859,000	\$ 1,000,000
Group's proportionate share of the net pension liability as a percentage of its covered payroll	110.06%	116.65%	146.29%	174.90%	140.06%	130.54%	130.14%	58.98%	126.17%
Plan fiduciary net position as a percentage of the total pension liability	81.15%	79.90%	75.90%	75.40%	77.69%	76.60%	75.10%	88.29%	76.68%

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

This schedule presents the required information prospectively from date of accounting requirement adoption. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

See Notes to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
SCHEDULE OF THE GROUP'S CONTRIBUTIONS
Year Ended June 30, 2023

Public Employer's Retirement Fund C
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 86,583	\$ 90,955	\$ 101,002	\$ 102,086	\$ 114,748	\$ 125,015	\$ 139,998	\$ 162,498	\$ 175,311
Contributions in relation to the contractually required contribution	<u>(86,583)</u>	<u>(90,955)</u>	<u>(101,002)</u>	<u>(102,086)</u>	<u>(114,748)</u>	<u>(125,015)</u>	<u>(139,998)</u>	<u>(162,498)</u>	<u>(175,311)</u>
Contribution deficiency (excess)	<u>\$ _____ -</u>								
Group's covered payroll	\$ 626,000	\$ 637,000	\$ 520,000	\$ 627,000	\$ 736,000	\$ 803,000	\$ 859,000	\$ 1,000,000	\$ 1,013,000
Contributions as a percentage of covered payroll*	13.83%	14.28%	19.42%	16.28%	15.59%	15.57%	16.30%	16.25%	17.31%

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

This schedule presents the required information prospectively from date of accounting requirement adoption. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

See Notes to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
PROPERTY AND LIABILITY PROGRAM
Years Ended June 30, 2023, 2022, and 2021

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 7,182,701	\$ 7,678,250	\$ 6,103,350
Incurred claims and claim adjustment expenses: Provision for covered events of the current year	2,872,345	2,546,164	2,483,205
Change in provision for covered events of prior years	(177,534)	(1,891,816)	416,214
Total incurred claims and claim adjustment expenses	<u>2,694,811</u>	<u>654,348</u>	<u>2,899,419</u>
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	506,608	391,276	158,745
Claims and claim adjustment expenses attributable to covered events of prior years	1,843,954	758,621	1,165,774
Total payments	<u>2,350,562</u>	<u>1,149,897</u>	<u>1,324,519</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 7,526,950</u>	<u>\$ 7,182,701</u>	<u>\$ 7,678,250</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2023, 2022, and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Reported claims	\$ 3,822,318	\$ 2,645,481	\$ 4,305,703
Claims incurred but not reported (IBNR)	3,342,682	4,191,520	2,991,297
Unallocated loss adjustment expenses (ULAE)	<u>361,950</u>	<u>345,700</u>	<u>381,250</u>
	<u>\$ 7,526,950</u>	<u>\$ 7,182,701</u>	<u>\$ 7,678,250</u>

(Continued)

SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
WORKERS' COMPENSATION PROGRAM
Years Ended June 30, 2023, 2022, and 2021

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 28,814,100	\$ 27,333,950	\$ 30,782,800
Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	10,884,758	9,794,984	7,582,815
Change in provision for covered events of prior years	<u>(1,825,791)</u>	<u>(1,430,892)</u>	<u>(5,021,893)</u>
Total incurred claims and claim adjustment expenses	<u>9,058,967</u>	<u>8,364,092</u>	<u>2,560,922</u>
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	2,005,937	1,795,463	1,105,090
Claims and claim adjustment expenses attributable to covered events of prior years	<u>6,117,980</u>	<u>5,088,479</u>	<u>4,904,682</u>
Total payments	<u>8,123,917</u>	<u>6,883,942</u>	<u>6,009,772</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 29,749,150</u>	<u>\$ 28,814,100</u>	<u>\$ 27,333,950</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2023, 2022, and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Reported claims	\$ 15,800,082	\$ 12,662,856	\$ 11,152,858
Claims incurred but not reported (IBNR)	12,344,918	14,568,144	14,682,142
Unallocated loss adjustment expenses (ULAE)	<u>1,604,150</u>	<u>1,583,100</u>	<u>1,498,950</u>
	<u>\$ 29,749,150</u>	<u>\$ 28,814,100</u>	<u>\$ 27,333,950</u>

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

(Continued)

SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
DENTAL AND VISION PROGRAM
Years Ended June 30, 2023, 2022, and 2021

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 368,805	\$ 389,904	\$ 389,750
Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	7,733,179	7,537,185	7,768,910
Change in provision for covered events of prior years	4,988	104,813	75,337
Total incurred claims and claim adjustment expenses	<u>7,738,167</u>	<u>7,641,998</u>	<u>7,844,247</u>
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	7,340,269	7,168,380	7,379,006
Claims and claim adjustment expenses attributable to covered events of prior years	344,701	494,717	465,087
Total payments	<u>7,684,970</u>	<u>7,663,097</u>	<u>7,844,093</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 422,002</u>	<u>\$ 368,805</u>	<u>\$ 389,904</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2023, 2022, and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Claims incurred but not reported (IBNR)	\$ 397,000	\$ 347,000	\$ 367,000
Unallocated loss adjustment expenses (ULAE)	<u>25,002</u>	<u>21,805</u>	<u>22,904</u>
	<u><u>\$ 422,002</u></u>	<u><u>\$ 368,805</u></u>	<u><u>\$ 389,904</u></u>

See Notes to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
Year Ended June 30, 2023

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

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

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

(Continued)

**SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
PROPERTY AND LIABILITY PROGRAM**
June 30, 2023

	Fiscal and Policy Year Ended June 30,									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1 Premiums and investment revenue:										
Earned	\$ 4,718,823	\$ 4,736,364	\$ 4,893,354	\$ 5,127,267	\$ 5,287,484	\$ 5,760,406	\$ 7,568,324	\$ 10,349,121	\$ 10,520,422	\$ 12,553,722
Ceded	(2,098,444)	(2,038,313)	(2,188,404)	(2,348,552)	(2,295,764)	(2,482,230)	(4,106,897)	(5,564,218)	(6,358,167)	(7,378,591)
Net earned	\$ 2,620,379	\$ 2,698,051	\$ 2,704,950	\$ 2,778,715	\$ 2,991,720	\$ 3,278,176	\$ 3,461,427	\$ 4,784,903	\$ 4,162,255	\$ 5,175,131
2 Unallocated expenses	\$ 1,088,709	\$ 1,177,314	\$ 1,100,274	\$ 1,052,485	\$ 1,082,454	\$ 1,123,566	\$ 1,241,297	\$ 1,394,462	\$ 1,072,922	\$ 1,056,808
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 1,963,290	\$ 1,490,255	\$ 1,482,822	\$ 1,849,879	\$ 2,002,136	\$ 2,541,299	\$ 2,466,033	\$ 2,372,506	\$ 2,443,544	\$ 2,759,689
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	\$ 1,963,290	\$ 1,490,255	\$ 1,482,822	\$ 1,849,879	\$ 2,002,136	\$ 2,541,299	\$ 2,466,033	\$ 2,372,506	\$ 2,443,544	\$ 2,759,689
4 Paid (cumulative) as of:										
End of policy year	\$ 407,685	\$ 260,214	\$ 192,021	\$ 439,989	\$ 409,651	\$ 617,957	\$ 290,211	\$ 158,745	\$ 391,276	\$ 506,608
One year later	\$ 714,567	\$ 574,924	\$ 209,987	\$ 667,044	\$ 615,951	\$ 883,556	\$ 525,837	\$ 389,127	\$ 1,103,435	
Two years later	\$ 1,321,792	\$ 865,534	\$ 349,144	\$ 1,048,476	\$ 895,623	\$ 1,179,974	\$ 573,108	\$ 438,234		
Three years later	\$ 2,055,972	\$ 1,262,612	\$ 415,522	\$ 1,461,869	\$ 1,039,727	\$ 1,449,398	\$ 725,128			
Four years later	\$ 2,069,398	\$ 1,262,983	\$ 798,343	\$ 1,816,651	\$ 1,122,587	\$ 1,702,070				
Five years later	\$ 2,083,639	\$ 1,262,695	\$ 798,343	\$ 1,866,046	\$ 1,213,435					
Six years later	\$ 2,185,358	\$ 1,274,818	\$ 798,343	\$ 2,014,208						
Seven years later	\$ 2,103,215	\$ 1,275,798	\$ 798,343							
Eight years later	\$ 2,103,215	\$ 1,277,846								
Nine years later	\$ 2,189,684									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 1,963,290	\$ 1,490,255	\$ 1,482,822	\$ 1,849,879	\$ 2,002,136	\$ 2,541,299	\$ 2,466,033	\$ 2,372,506	\$ 2,443,544	\$ 2,759,689
One year later	\$ 1,965,389	\$ 1,536,333	\$ 1,028,207	\$ 1,698,285	\$ 2,080,807	\$ 2,950,083	\$ 2,837,086	\$ 1,865,745	\$ 2,794,461	
Two years later	\$ 3,521,412	\$ 1,370,219	\$ 798,558	\$ 1,958,568	\$ 1,573,290	\$ 3,127,977	\$ 1,621,202	\$ 1,168,822		
Three years later	\$ 3,170,917	\$ 1,417,706	\$ 927,720	\$ 2,096,743	\$ 1,377,205	\$ 3,074,296	\$ 1,432,643			
Four years later	\$ 2,134,995	\$ 1,263,400	\$ 798,343	\$ 1,992,871	\$ 1,324,933	\$ 2,423,911				
Five years later	\$ 2,152,189	\$ 1,263,400	\$ 798,343	\$ 2,045,473	\$ 1,475,944					
Six years later	\$ 2,241,872	\$ 1,303,631	\$ 798,343	\$ 2,167,527						
Seven years later	\$ 2,103,215	\$ 1,275,798	\$ 798,343							
Eight years later	\$ 2,103,215	\$ 1,291,557								
Nine years later	\$ 2,190,050									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	\$ 226,760	\$ (198,698)	\$ (684,479)	\$ 317,648	\$ (526,192)	\$ (117,388)	\$ (1,033,390)	\$ (1,203,684)	\$ 350,917	\$ -

(Continued)

**SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM**
June 30, 2023

	<u>Fiscal and Policy Year Ended June 30,</u>									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1 Premiums and investment revenue:										
Earned	\$ 10,095,354	\$ 10,055,008	\$ 11,720,204	\$ 11,734,265	\$ 11,605,765	\$ 13,025,919	\$ 14,601,394	\$ 11,376,987	\$ 10,785,350	\$ 18,282,138
Ceded	(542,673)	(525,910)	(589,613)	(651,633)	(775,011)	(743,401)	(957,697)	(872,232)	(908,129)	(763,585)
Net earned	\$ 9,552,681	\$ 9,529,098	\$ 11,130,591	\$ 11,082,632	\$ 10,830,754	\$ 12,282,518	\$ 13,643,697	\$ 10,504,755	\$ 9,877,221	\$ 17,518,553
2 Unallocated expenses	\$ 2,256,751	\$ 1,675,047	\$ 1,455,701	\$ 1,490,612	\$ 1,456,106	\$ 1,614,917	\$ 2,050,429	\$ 1,728,658	\$ 2,158,592	\$ 2,143,914
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 7,075,760	\$ 7,479,604	\$ 8,000,313	\$ 8,059,772	\$ 9,456,674	\$ 9,048,316	\$ 8,617,172	\$ 7,274,346	\$ 9,414,053	\$ 10,461,953
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	\$ 7,075,760	\$ 7,479,604	\$ 8,000,313	\$ 8,059,772	\$ 9,456,674	\$ 9,048,316	\$ 8,617,172	\$ 7,274,346	\$ 9,414,053	\$ 10,461,953
4 Paid (cumulative) as of:										
End of policy year	\$ 1,205,258	\$ 1,335,691	\$ 1,474,087	\$ 1,228,252	\$ 1,599,107	\$ 1,966,635	\$ 1,501,048	\$ 1,105,090	\$ 1,795,463	\$ 2,005,937
One year later	\$ 2,967,263	\$ 3,429,039	\$ 3,632,211	\$ 2,746,301	\$ 3,420,164	\$ 3,832,767	\$ 2,929,567	\$ 2,635,718	\$ 5,353,564	
Two years later	\$ 4,255,390	\$ 4,633,855	\$ 4,899,045	\$ 4,074,718	\$ 4,879,902	\$ 5,002,012	\$ 4,021,233	\$ 3,310,804		
Three years later	\$ 5,176,444	\$ 5,048,933	\$ 6,585,163	\$ 5,033,503	\$ 5,765,873	\$ 6,029,910	\$ 4,574,148			
Four years later	\$ 5,764,152	\$ 5,356,939	\$ 7,141,460	\$ 5,710,261	\$ 6,159,571	\$ 6,370,074				
Five years later	\$ 6,550,821	\$ 5,515,935	\$ 7,409,609	\$ 5,997,170	\$ 6,204,656					
Six years later	\$ 6,715,314	\$ 5,649,206	\$ 7,588,556	\$ 6,118,019						
Seven years later	\$ 6,814,370	\$ 5,691,639	\$ 7,907,941							
Eight years later	\$ 6,844,939	\$ 5,758,140								
Nine years later	\$ 6,930,778									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 7,075,760	\$ 7,479,604	\$ 8,000,313	\$ 8,059,772	\$ 9,456,674	\$ 9,048,316	\$ 8,617,172	\$ 7,274,346	\$ 9,414,053	\$ 10,461,953
One year later	\$ 7,194,320	\$ 8,115,098	\$ 8,784,594	\$ 7,968,030	\$ 8,943,032	\$ 9,257,268	\$ 7,549,398	\$ 7,051,169	\$ 12,322,223	
Two years later	\$ 7,536,614	\$ 7,586,898	\$ 8,683,360	\$ 7,705,289	\$ 8,701,104	\$ 8,413,798	\$ 7,322,106	\$ 6,141,601		
Three years later	\$ 7,389,499	\$ 7,317,423	\$ 9,330,451	\$ 7,757,274	\$ 8,299,400	\$ 8,532,914	\$ 6,947,249			
Four years later	\$ 7,400,272	\$ 7,022,035	\$ 9,507,092	\$ 7,481,446	\$ 7,893,994	\$ 7,858,828				
Five years later	\$ 8,038,121	\$ 6,945,251	\$ 9,272,728	\$ 7,501,191	\$ 6,909,683					
Six years later	\$ 8,103,837	\$ 6,773,938	\$ 9,146,487	\$ 6,868,396						
Seven years later	\$ 7,664,845	\$ 6,559,838	\$ 8,835,670							
Eight years later	\$ 7,600,950	\$ 6,204,564								
Nine years later	\$ 7,430,763									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	\$ 355,003	\$ (1,275,040)	\$ 835,357	\$ (1,191,376)	\$ (2,546,991)	\$ (1,189,488)	\$ (1,669,923)	\$ (1,132,745)	\$ 2,908,170	\$ -

(Continued)

**SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
DENTAL & VISION PROGRAM**
June 30, 2023

	Fiscal and Policy Year Ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Premiums and investment revenue:										
Earned	\$ 67,047,919	\$ 68,932,242	\$ 69,973,709	\$ 74,039,558	\$ 74,327,369	\$ 73,171,321	\$ 76,186,512	\$ 74,474,927	\$ 78,529,059	\$ 80,042,455
Ceded	(55,653,668)	(57,510,327)	(58,237,891)	(61,847,155)	(62,809,744)	(62,301,137)	(65,013,005)	(63,500,595)	(67,420,221)	(67,926,544)
Net earned	\$ 11,394,251	\$ 11,421,915	\$ 11,735,818	\$ 12,192,403	\$ 11,517,625	\$ 10,870,184	\$ 11,173,507	\$ 10,974,332	\$ 11,108,838	\$ 12,115,911
2 Unallocated expenses	\$ 1,760,710	\$ 1,742,556	\$ 1,678,850	\$ 1,983,319	\$ 1,982,667	\$ 2,029,301	\$ 1,984,891	\$ 2,071,851	\$ 2,084,077	\$ 2,279,840
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 8,242,478	\$ 8,360,715	\$ 8,417,811	\$ 8,448,126	\$ 8,581,628	\$ 8,007,772	\$ 6,940,528	\$ 7,914,968	\$ 7,515,380	\$ 7,737,269
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	\$ 8,242,478	\$ 8,360,715	\$ 8,417,811	\$ 8,448,126	\$ 8,581,628	\$ 8,007,772	\$ 6,940,528	\$ 7,914,968	\$ 7,515,380	\$ 7,737,269
4 Paid (cumulative) as of:										
End of policy year	\$ 7,867,775	\$ 7,886,433	\$ 7,965,454	\$ 8,041,113	\$ 8,151,537	\$ 7,549,252	\$ 6,574,158	\$ 7,379,006	\$ 7,168,380	\$ 7,340,269
One year later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	\$ 7,067,695	\$ 7,845,188	\$ 7,542,173	
Two years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	\$ 7,067,695	\$ 7,845,188		
Three years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	\$ 7,067,695			
Four years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108				
Five years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317					
Six years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728						
Seven years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782							
Eight years later	\$ 8,335,060	\$ 8,607,684								
Nine years later	\$ 8,335,060									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 8,242,478	\$ 8,360,715	\$ 8,417,811	\$ 8,448,126	\$ 8,581,628	\$ 8,007,772	\$ 6,940,528	\$ 7,914,968	\$ 7,515,380	\$ 7,737,269
One year later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	\$ 7,067,695	\$ 7,845,188	\$ 7,542,173	
Two years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	\$ 7,067,695	\$ 7,845,188		
Three years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108	\$ 7,067,695			
Four years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728	\$ 8,530,317	\$ 7,905,108				
Five years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782	\$ 8,431,728						
Six years later	\$ 8,335,060	\$ 8,607,684	\$ 8,293,782							
Seven years later	\$ 8,335,060	\$ 8,607,684								
Eight years later	\$ 8,335,060	\$ 8,607,684								
Nine years later	\$ 8,335,060									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	\$ 92,582	\$ 246,969	\$ (124,029)	\$ (16,398)	\$ (51,311)	\$ (102,664)	\$ 127,167	\$ (69,780)	\$ 26,793	\$ -

See Notes to Required Supplementary Information.

SCHOOLS INSURANCE GROUP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULE

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

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

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

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

C - Schedule of Group's Contributions

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

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

E - Changes of Assumptions: The discount rate for Public Employer's Retirement Fund C was 7.50 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 actuarial reports, respectively. The discount rate for OPEB was 3.56, 3.62, 3.13, 2.45, 1.92 and 3.69 percent as of the June 30, 2017, 2018, 2019, 2020, 2021 and 2022 actuarial valuation report, respectively.

SUPPLEMENTARY INFORMATION

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF NET POSITION
June 30, 2023

	<u>Property and Liability Program</u>	<u>Workers' Compensation Program</u>	<u>Employee Benefit Programs</u>	<u>Building Fund</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 15,645,451	\$ 14,064,928	\$ 13,347,939	\$ 377,521	\$ 43,435,839
Investments	422,384	60,080,320	-	-	60,502,704
Receivables:					
Members	97,667	1,935,124	705,868	-	2,738,659
Interest	81,870	21,903	30,300	612	134,685
Excess insurance	90,000	11,969	-	-	101,969
Prepaid expenses	1,402,386	50,625	5,677,335	-	7,130,346
Total current assets	17,739,758	76,164,869	19,761,442	378,133	114,044,202
Noncurrent assets:					
Investments, maturing after one year	9,137,306	2,127,536	-	-	11,264,842
Leases receivable	-	-	-	542,453	542,453
Non-depreciable premises and equipment	-	-	-	300,000	300,000
Depreciable premises and equipment, net	-	5,794	-	872,403	878,197
Total assets	26,877,064	78,298,199	19,761,442	2,092,989	127,029,694
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	334	467	532	-	1,333
Deferred outflows of resources - pension	94,748	227,397	309,512	-	631,657
Total deferred outflows of resources	95,082	227,864	310,044	-	632,990
LIABILITIES					
Current liabilities:					
Accounts payable	1,414,596	282,881	-	15,407	1,712,884
Current portion of unpaid claims and claim adjustment expenses	3,219,000	7,393,000	-	-	10,612,000
Total current liabilities	4,633,596	7,675,881	-	15,407	12,324,884
Unpaid claims and claim adjustment expenses, net of current portion	4,307,950	22,356,150	422,002	-	27,086,102
Net pension liability	189,248	454,196	618,213	-	1,261,657
Other postemployment benefits	10,680	14,952	17,087	-	42,719
Total liabilities	9,141,474	30,501,179	1,057,302	15,407	40,715,362
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow of resources - leases	-	-	-	542,453	542,453
Deferred inflows of resources - OPEB	26,668	37,335	42,668	-	106,671
Deferred inflows of resources - pension	11,534	27,680	37,676	-	76,890
Total deferred inflows of resources	38,202	65,015	80,344	542,453	726,014
NET POSITION					
Net position:					
Net investment in capital assets	-	5,794	-	1,172,403	1,178,197
Unrestricted	17,792,470	47,954,075	18,933,840	362,726	85,043,111
Total net position	<u>\$ 17,792,470</u>	<u>\$ 47,959,869</u>	<u>\$ 18,933,840</u>	<u>\$ 1,535,129</u>	<u>\$ 86,221,308</u>

(Continued)

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF NET POSITION
June 30, 2022

	Property and Liability Program	Workers' Compensation Program	Employee Benefit Programs	Building Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,903,874	\$ 70,528,669	\$ 16,102,070	\$ 707,581	\$ 99,242,194
Investments	105,947	-	-	-	105,947
Receivables:					
Members	49,383	1,550,181	4,557,500	-	6,157,064
Interest	45,738	9,216	8,188	453	63,595
Excess insurance	-	16,893	-	-	16,893
Prepaid expenses	2,498,814	532,451	66,150	-	3,097,415
Total current assets	14,603,756	72,637,410	20,733,908	708,034	108,683,108
Noncurrent assets:					
Investments, maturing after one year	9,255,455	-	-	-	9,255,455
Leases receivable	-	-	-	550,882	550,882
Non-depreciable premises and equipment	-	-	-	300,000	300,000
Depreciable premises and equipment, net	-	5,538	-	776,462	782,000
Total assets	23,859,211	72,642,948	20,733,908	2,335,378	119,571,445
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB	1,848	2,587	2,955	-	7,390
Deferred outflows of resources - pension	38,269	91,848	125,015	-	255,132
Total deferred outflows of resources	40,117	94,435	127,970	-	262,522
LIABILITIES					
Current liabilities:					
Accounts payable	172,116	221,779	54,615	21,240	469,750
Current portion of unpaid claims and claim adjustment expenses	1,963,000	6,378,000	-	-	8,341,000
Total current liabilities	2,135,116	6,599,779	54,615	21,240	8,810,750
Unpaid claims and claim adjustment expenses, net of current portion	5,219,701	22,436,100	368,805	-	28,024,606
Net pension liability	75,998	182,396	248,261	-	506,655
Other postemployment benefits	38,934	54,507	62,294	-	155,735
Total liabilities	7,469,749	29,272,782	733,975	21,240	37,497,746
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow of resources - leases	-	-	-	550,882	550,882
Deferred inflows of resources - OPEB	3,087	4,321	4,938	-	12,346
Deferred inflows of resources - pension	73,784	177,080	241,026	-	491,890
Total deferred inflows of resources	76,871	181,401	245,964	550,882	1,055,118
NET POSITION					
Net position:					
Net investment in capital assets	-	5,538	-	1,076,462	1,082,000
Unrestricted	16,352,708	43,277,662	19,881,939	686,794	80,199,103
Total net position	<u>\$ 16,352,708</u>	<u>\$ 43,283,200</u>	<u>\$ 19,881,939</u>	<u>\$ 1,763,256</u>	<u>\$ 81,281,103</u>

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
Year Ended June 30, 2023

	<u>Property and Liability Program</u>	<u>Workers' Compensation Program</u>	<u>Employee Benefit Programs</u>	<u>Building Fund</u>	<u>Total</u>
Operating revenues:					
Member contributions	\$ 12,314,602	\$ 14,344,034	\$ 79,834,411	\$ -	\$ 106,493,047
Operating expenses:					
Claims expense	2,694,811	9,058,967	7,738,167	-	19,491,945
Excess insurance premiums	7,378,591	763,585	67,926,544	-	76,068,720
Professional fees	293,222	763,826	876,555	-	1,933,603
Risk management fees	402,293	614,216	263,957	-	1,280,466
Dividend expense	-	1,660,053	3,049,200	-	4,709,253
General and administrative expenses	<u>345,043</u>	<u>744,822</u>	<u>1,136,131</u>	<u>487,752</u>	<u>2,713,748</u>
Total operating expenses	<u>11,113,960</u>	<u>13,605,469</u>	<u>80,990,554</u>	<u>487,752</u>	<u>106,197,735</u>
Operating income (loss)	1,200,642	738,565	(1,156,143)	(487,752)	295,312
Non-operating revenues (expenses):					
Investment income	254,539	3,959,690	232,714	7,287	4,454,230
Rental (expense) income	(15,419)	(21,586)	(24,670)	252,230	190,555
Other income	-	-	-	108	108
Total non-operating revenues	<u>239,120</u>	<u>3,938,104</u>	<u>208,044</u>	<u>259,625</u>	<u>4,644,893</u>
Change in net position	1,439,762	4,676,669	(948,099)	(228,127)	4,940,205
Net position, beginning of year	<u>16,352,708</u>	<u>43,283,200</u>	<u>19,881,939</u>	<u>1,763,256</u>	<u>81,281,103</u>
Net position, end of year	<u>\$ 17,792,470</u>	<u>\$ 47,959,869</u>	<u>\$ 18,933,840</u>	<u>\$ 1,535,129</u>	<u>\$ 86,221,308</u>

(Continued)

SCHOOLS INSURANCE GROUP
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
Year Ended June 30, 2022

	<u>Property and Liability Program</u>	<u>Workers' Compensation Program</u>	<u>Employee Benefit Programs</u>	<u>Building Fund</u>	<u>Total</u>
Operating revenues:					
Member contributions	\$ 10,989,534	\$ 12,226,383	\$ 78,515,287	\$ -	\$ 101,731,204
Operating expenses:					
Claims expense	654,348	8,364,092	7,641,998	-	16,660,438
Excess insurance premiums	6,358,167	908,129	67,420,221	-	74,686,517
Professional fees	372,647	888,090	860,225	-	2,120,962
Risk management fees	438,475	521,989	243,076	-	1,203,540
General and administrative expenses	297,350	664,363	981,875	357,360	2,300,948
Total operating expenses	8,120,987	11,346,663	77,147,395	357,360	96,972,405
Operating (loss) income	2,868,547	879,720	1,367,892	(357,360)	4,758,799
Non-operating (expenses) revenues:					
Investment income	(453,812)	(1,419,613)	38,252	2,029	(1,833,144)
Rental (expense) income	(15,419)	(21,586)	(24,670)	236,547	174,872
Other income	119	166	190	499	974
Total non-operating (expenses) revenues	(469,112)	(1,441,033)	13,772	239,075	(1,657,298)
Change in net position	2,399,435	(561,313)	1,381,664	(118,285)	3,101,501
Net position, beginning of year	13,953,273	43,844,513	18,500,275	1,881,541	78,179,602
Net position, end of year	\$ 16,352,708	\$ 43,283,200	\$ 19,881,939	\$ 1,763,256	\$ 81,281,103

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts and the Standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Schools Insurance Group as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Schools Insurance Group's basic financial statements, and have issued our report thereon dated January 24, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CROWE LLP
Crowe LLP

Boston, Massachusetts
January 24, 2024