

TRI-COUNTY SCHOOLS INSURANCE GROUP

FINANCIAL STATEMENTS

June 30, 2019 and 2018

TRI-COUNTY SCHOOLS INSURANCE GROUP
Yuba City, California

FINANCIAL STATEMENTS
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Tri-County Schools Insurance Group
Yuba City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Schools Insurance Group as of and for the years ended June 30, 2019 and 2018, and the notes to the financial statements, which collectively comprise Tri-County Schools Insurance Group's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Schools Insurance Group, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Reconciliation of Claims Liability by Type of Contract on page 28, the Claims Development Information on pages 29 through 33, the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 34 and the Schedule of the Group's Contributions on page 35 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-County Schools Insurance Group's financial statements. The Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Change in Net Position are presented for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of the individual programs, and is not a required part of the financial statements.

The Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Change in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Change in Net Position are fairly stated, in all material respects, in relation to the financial statements as a whole.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020 on our consideration of Tri-County Schools Insurance Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-County Schools Insurance Group's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Sacramento, California
February 18, 2020



MANAGEMENT’S DISCUSSION AND ANALYSIS

The Group – An Overview

The Tri-County Schools Insurance Group (TCSIG), Joint Powers Authority (JPA), is a non-federal governmental self-insurance pool that was formed in 1983 for the purpose of establishing and maintaining quality programs for our public entity members at a reasonable cost. Programs include Property & Liability, Medical, Dental, Vision, and Life benefits. During the 2018/2019 year efforts to establish a Workers’ Compensation program were successful and will be effective July 1, 2019. TCSIG was established during the very turbulent and harsh public entity insurance market of the early 1980’s. This was a time when districts stood alone when negotiating their coverage. It was an “Insurance Seller’s” market. The educational leaders of Yuba, Colusa, and Sutter Counties realized that by operating “Alone” to negotiate coverage, their districts failed. They soon realized that by “pooling their risk” and operating “Together” to negotiate coverage, their districts succeeded.

TCSIG is a public entity operating in accordance with the Ralph M. Brown Act. TCSIG is governed by a Board of Directors comprised of representatives from each member public entity. Employee input is provided by the Employee Benefits Advisory Committee (EBAC) at meetings throughout the year. Two of the EBAC representatives sit as ex-officio members of the Executive Committee. The Executive Committee is comprised of seventeen (17) Board members. The twelve (12) largest contributors are appointed to the Executive Committee and five (5) members are elected. The Executive Committee elects a President, Vice President, and Secretary as its officers.

The Executive Committee hires an Executive Director/Administrator/Consultant to administer TCSIG’s day-to-day operations. The Executive Director/Administrator/Consultant is responsible for the administration of policies as set forth by the JPA Agreement, Bylaws, the Board of Directors, and the Executive Committee.

Description of Basic Financial Statements

Individual program accounting is maintained in-house and is provided as supplemental information to the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the financial position of TCSIG as of June 30, 2019 and 2018. The Statement of Revenues, Expenses and Change in Net Position reports the operations of the organization for the years ended June 30, 2019 and 2018. The Statement of Cash Flows is presented in the direct method to reflect the operations of TCSIG for the years ended June 30, 2019 and 2018 based on the inflow and outflow of cash.

The notes to the financial statements provide information on TCSIG’s accounting policies such as development of estimates of incurred but not reported liabilities and the provision for claim adjustment expenses.

For information regarding the Management’s Discussion and Analysis contact Mathew D. Evans; 400 Plumas Boulevard, Suite 210, Yuba City, CA 95991; (530)822-5283.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

June 30, 2019, 2018 and 2017

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 22,867,166	\$ 21,991,616	\$ 18,211,172
Capital assets, net	4,351,148	500,175	511,661
Total assets	27,218,314	22,491,791	18,722,833
<u>DEFERRED OUTFLOWS</u>			
Deferred Outflows of resources-pensions	195,350	442,979	183,953
<u>LIABILITIES</u>			
Current liabilities	5,865,719	7,467,709	7,140,341
Long-term liabilities	2,257,587	2,319,528	2,224,816
Total liabilities	8,123,306	9,787,237	9,365,157
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources-pensions	70,938	57,158	19,160
<u>NET POSITION</u>			
Invested in capital assets, net	4,351,148	500,175	511,661
Unrestricted, designated	9,940,276	9,935,620	8,485,418
Unrestricted, undesignated	4,927,996	2,654,580	525,390
Total net position	\$ 19,219,420	\$ 13,090,375	\$ 9,522,469

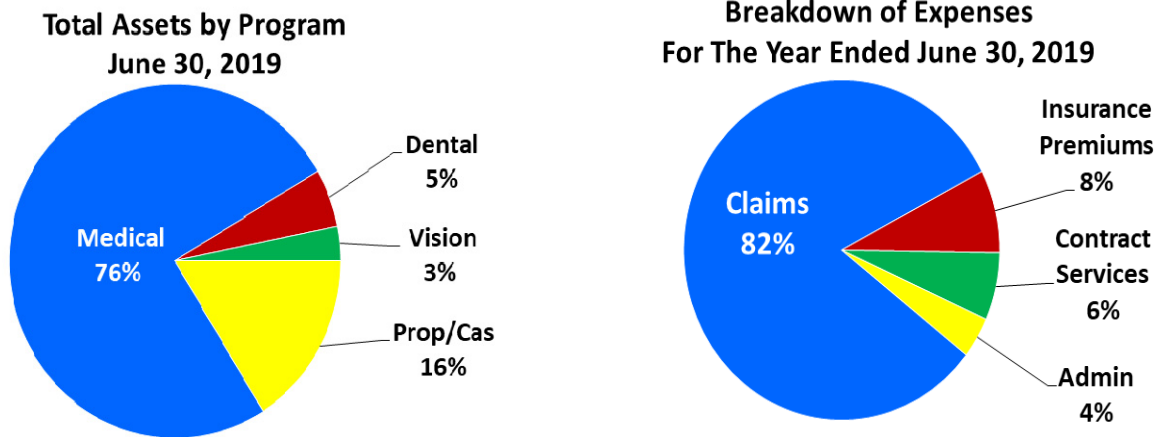
Statement of Revenues, Expenses and Change in Net Position

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>REVENUES</u>			
Member contributions	\$ 43,578,342	\$ 43,947,684	\$ 42,870,151
<u>EXPENSES</u>			
Operating expenses:			
Provision for claims and claim adjustment expenses	31,150,181	33,718,081	32,875,783
Insurance premiums	2,998,884	3,612,247	3,065,737
Contract services	2,446,297	2,284,308	2,635,788
General and administrative expenses	1,476,423	1,050,849	890,638
Total operating expenses	38,071,785	40,665,485	39,467,946
Operating (loss) income	5,506,557	3,282,199	3,402,205
<u>OTHER INCOME</u>			
Rental	156,551	-	-
Interest	465,937	285,707	169,094
Total other income	622,488	285,707	169,094
(Decrease) increase in net position	6,129,045	3,567,906	3,571,299
NET POSITION, beginning of year	13,090,375	9,522,469	5,951,170
NET POSITION, end of year	\$ 19,219,420	\$ 13,090,375	\$ 9,522,469

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019



Analysis of Overall Financial Position and Results of Operations

Total assets increased \$4.7M and total liabilities decreased \$1.7M from June 20, 2018 to June 30, 2019. As a result of these changes in assets and liabilities, the total net position increased again this year by \$6.1M from June 30, 2018 to June 30, 2019. The above pie chart shows the breakdown of Total Assets between the programs. These changes were mainly due to a culture of health and wellness along with strong risk management across all programs. TCSIG continues to increase its strong financial position which made it possible to purchase a building in downtown Yuba City, giving TCSIG its first home ever for Board meetings. The purchase of the Building also generates a return on the investment due to leases of medical offices within the building to prominent leaders in the medical community. The rental income offsets costs in each of the programs. Above is a pie chart illustrating the breakdown of expenses by major category.

Total assets increased \$3.8M and total liabilities increased \$0.5M from June 20, 2017 to June 30, 2018. As a result of these changes in assets and liabilities, the total net position increased by \$3.5M from June 30, 2017 to June 30, 2018. These changes were mainly due to the group's continued effort to beat trend. The main way of controlling the dollars spent is by propagating the culture of health and wellness, thereby empowering our members to self-educate and improve themselves to better health.

In TCSIG's Property/Casualty program, the continued effort to manage risk by all the member districts has enabled the program to continue to remain strong and provide excellent coverage for our members. The Property/Casualty program has a healthy net position of \$2.1M at June 30, 2019.

The Employee Benefit premium rates remained the same into FY 2018/19 and will continue the 0% trend into FY 2019/20. Having 0% increase in rates, while the national medical inflation trend is running much higher, is a big testimonial to how well all our members are working to better their health. TCSIG has provided many tools to help empower individuals, such as Disease Management Programs, utilizing the Wellness Center, using eVisit and PlushCare telemedicine, searching for the best providers at HealthCare Bluebook and Compass, and participating in the annual Biometric Screening in order to gain knowledge about one's own health. In the Medical Program during FY 2018/19, there was growth in Net Position of \$5.9M.

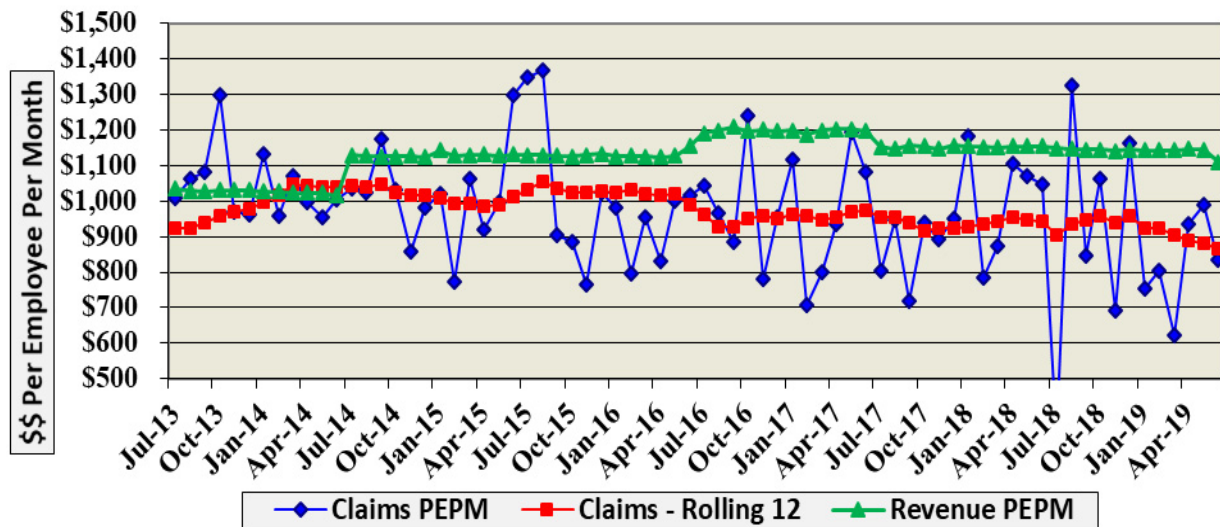
TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

During the 2018/2019 year, efforts to establish a Workers' Compensation program were successful. Effective July 1, 2019 TCSIG will have a Workers' Compensation Program that will empower member districts to "pool their risk." By operating "Together" to negotiate coverage their districts will succeed in having a comprehensive Workers' Compensation program that will provide a quality program in an effective manner while emphasizing satisfaction, stability, financial solvency, and controlling cost; which will curb the trend of the required contributions.

The chart below shows the Medical Program's revenue and claims increase over the last six years on a per employee per month basis. The blue line shows the monthly paid claims, which can vary tremendously from month to month based on actual claims paid for the month. The red line smooths the monthly paid claims out to show on the average claims over the year. The green line is the average monthly revenue. As the red claims paid line indicates, the average claim per member remained fairly level with the prior year, which allowed TCSIG to maintain premium rates at the same level for the next fiscal year.

Medical Program



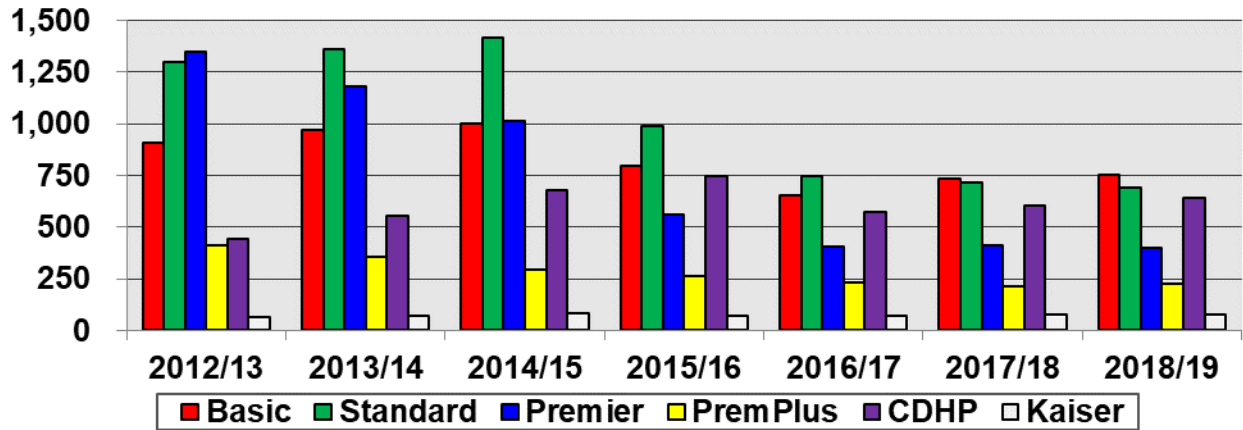
The TCSIG culture of wellness has a major impact to the average claim per member keeping the trend almost unchanged from FY 2017/18 to FY 2018/19, while the national average continues to climb. There is a wide variety of plans for employees to make choices that fit their needs. Standard and Basic Plans are the most popular of the medical programs. The Consumer Driven Health Plan (CDHP), a federally qualified high deductible plan, continues to have an increasing enrollment, ending the year with greater enrollment than the Premier and Premier Plus Plans. The CDHP allows members to save for future medical costs exempt from federal tax. The chart on the next page shows the medical program enrollment by year over the last seven years.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Medical Plan Enrollment Migration



Preventive medical care continues to be encouraged with 100% of the cost being paid by the medical program for routine in-network preventive care. Also, free comprehensive health screenings are performed at the employee's place of work, or on demand, to help employees understand their own health condition. In addition, there are on-line tools available for members to get and stay healthy. Utilization of the TCSIG Wellness Center, which opened January 2013, is an additional benefit for members. It is staffed with Nurse Practitioners and Medical Assistants, all overseen by a Collaborating Physician. Members have primary and preventive care, free of charge at the Wellness Center. Members with chronic conditions receive personalized care and help with management and control of their condition. The Wellness Center is centrally located in Yuba City, where a majority of the membership resides. TCSIG expanded the Wellness Center services to include tele-medicine through a web-based application for all members and especially benefiting the outlying membership. These initiatives are believed to have a long-term impact on claims cost, which benefits the member agencies by curbing the premium rate increases.

In the Property/Casualty program, proactive steps have been made to keep rates from increasing. Risk management is performed prior to events at the member districts in order to prevent tragedies. TCSIG continues to take proactive steps to curb excess carrier re-insurance rates in the Property/Casualty program by conducting seminars and helping with risk management; thereby decreasing claims and by building more reserves to cover another layer of self-insured retention.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Comparison of Budget to Actual For the Year Ended June 30, 2019

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>DOLLAR VARIANCE</u>	<u>PERCENTAGE VARIANCE</u>
<u>REVENUES</u>				
Contributions	\$43,578,342	\$ 42,692,450	\$ 885,892	2.1%
Other Income	<u>622,488</u>	<u>150,000</u>	<u>472,488</u>	<u>315.0%</u>
Total Revenues	\$44,200,830	\$ 42,842,450	\$ 1,358,380	3.2%
<u>EXPENSES</u>				
Provision for Claims				
And Claim Adjustment	\$31,150,181	\$ 35,647,000	\$ (4,496,819)	-12.6%
Insurance Premiums	2,998,884	3,554,450	(555,566)	-15.6%
Contract Services	2,446,297	2,393,000	53,297	2.2%
General and Administrative	<u>1,476,423</u>	<u>1,157,100</u>	<u>319,323</u>	<u>27.6%</u>
Total Expenses	<u>38,071,785</u>	<u>42,751,550</u>	<u>(4,679,765)</u>	<u>-10.9%</u>
Change in net position	<u>\$ 6,129,045</u>	<u>\$ 90,900</u>	<u>\$ 6,038,145</u>	<u>6642.6%</u>

The increase in budgeted to actual Contributions is minimal and due to migrations between the plans and a slight increase in enrollment in the Employee Benefit plans.

The increase in Other Income was caused by more than anticipated return on investment funds and the addition of rental income from the new building purchase in January 2019.

The decrease in Provision for Claims and Claim Adjustment expense is due to participants in the Employee Benefits programs have a culture of health and wellness which included the increase utilization of the Wellness Center.

The decrease in Insurance Premiums expense is due TCSIG accepting a greater risk on high cost claims, therefore the stop-loss premium is less.

The increase in General and Administrative is mainly due to increase in unforeseen legal fees.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Comparison of Budget to Actual For the Year Ended June 30, 2018

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>DOLLAR VARIANCE</u>	<u>PERCENTAGE VARIANCE</u>
<u>REVENUES</u>				
Contributions	\$43,947,684	\$ 43,107,105	\$ 840,579	1.9%
Other Income	<u>285,707</u>	<u>100,000</u>	<u>185,707</u>	<u>185.7%</u>
Total Revenues	\$44,233,391	\$ 43,207,105	\$ 1,026,286	2.2%
<u>EXPENSES</u>				
Provision for Claims				
And Claim Adjustment	\$33,718,081	\$ 36,064,000	\$ (2,345,919)	-6.5%
Insurance Premiums	3,612,247	3,471,605	140,642	4.1%
Contract Services	2,284,308	2,341,500	(57,192)	-2.4%
General and Administrative	<u>1,050,849</u>	<u>1,090,100</u>	<u>(39,251)</u>	<u>-3.6%</u>
Total Expenses	<u>40,665,485</u>	<u>42,967,205</u>	<u>(2,301,720)</u>	<u>-5.4%</u>
Change in net position	<u>\$ 3,567,906</u>	<u>\$ 239,900</u>	<u>\$ 3,328,006</u>	<u>1358.8%</u>

The increase in budgeted to actual Contributions is minimal and due to migrations between the plans and a slight increase in enrollment in the Employee Benefit plans.

The increase in Other Income was caused by more than anticipated return on investment funds.

The decrease in Provision for Claims and Claim Adjustment expense is due to participants in the Employee Benefits programs have a culture of health and wellness which included the increase utilization of the Wellness Center.

The increase in Insurance Premiums expense is due a small increase in enrollment and a slightly more than anticipated increase in Schools Excess Liability Fund premium, which is a flow-through premium.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Comparison of Budget to Actual For the Year Ended June 30, 2017

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>DOLLAR VARIANCE</u>	<u>PERCENTAGE VARIANCE</u>
<u>REVENUES</u>				
Contributions	\$42,870,150	\$ 41,996,115	\$ 874,035	2.1%
Other Income	<u>169,093</u>	<u>85,000</u>	<u>84,093</u>	<u>98.9%</u>
Total Revenues	\$43,039,243	\$ 42,081,115	\$ 958,128	2.3%
<u>EXPENSES</u>				
Provision for Claims				
And Claim Adjustment	\$32,875,783	\$ 34,921,400	\$ (2,045,617)	-5.9%
Insurance Premiums	3,065,737	2,957,605	108,132	3.7%
Contract Services	2,635,788	2,255,500	380,288	16.9%
General and Administrative	<u>958,766</u>	<u>911,600</u>	<u>47,166</u>	<u>5.2%</u>
Total Expenses	<u>39,536,074</u>	<u>41,046,105</u>	<u>(1,510,031)</u>	<u>-3.7%</u>
Change in net position	<u>\$ 3,503,169</u>	<u>\$ 1,035,010</u>	<u>\$ 2,468,159</u>	<u>238.5%</u>

The increase in budgeted to actual Contributions is minimal and due to various migrations in enrollment across the plans.

The increase in Other Income was caused by more than anticipated return on investment funds.

The decrease in Provision for Claims and Claim Adjustment expense is due to high utilization groups terming from TCSIG and the increased utilization of the Wellness Center.

The increase in Insurance Premiums expense is due a slightly larger increase in rate in the medical HMO plan than originally anticipated. The HMO plan is a flow-through insurance program.

The increase in General and Administrative is due to the increased utilization consultants in order to help take proactive steps to curb the raising trends of the medical claims.

FINANCIAL STATEMENTS

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 20,567,828	\$ 19,288,983
Receivables (Note 3)	911,112	1,476,272
Vendor deposits	50,000	50,000
Prepaid expenses	<u>1,338,226</u>	<u>1,176,361</u>
Total current assets	22,867,166	21,991,616
Noncurrent assets:		
Non-depreciable capital assets (Note 4)	506,369	120,000
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>3,844,779</u>	<u>380,175</u>
Total assets	<u>27,218,314</u>	<u>22,491,791</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – pensions (Note 6)	<u>195,350</u>	<u>442,979</u>
LIABILITIES		
Current liabilities:		
Accounts payable	283,923	245,096
Due to member districts	-	395
Claims payable	483,833	1,034,425
Unearned revenue	44,283	99,985
Current portion of unpaid claims and claim adjustment expenses (Note 5)	<u>5,053,680</u>	<u>6,087,808</u>
Total current liabilities	5,865,719	7,467,709
Due to member districts, less current portion	44,330	44,330
Net pension liability (Note 6)	741,937	757,935
Unpaid claims and claim adjustment expenses less current portion (Note 5)	<u>1,471,320</u>	<u>1,517,263</u>
Total liabilities	<u>8,123,306</u>	<u>9,787,237</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – pensions (Note 6)	<u>70,938</u>	<u>57,158</u>
NET POSITION		
Net investment in capital assets	4,351,148	500,175
Unrestricted	<u>14,868,272</u>	<u>12,590,200</u>
Total net position	<u>\$ 19,219,420</u>	<u>\$ 13,090,375</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Member contributions	\$ 43,578,342	\$ 43,947,684
Expenses:		
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 5)	31,150,181	33,718,081
Insurance premiums	2,998,884	3,612,247
Contract services	<u>2,446,297</u>	<u>2,284,308</u>
Total operating expenses	36,595,362	39,614,636
General and administrative expenses	<u>1,476,423</u>	<u>1,050,849</u>
Total expenses	<u>38,071,785</u>	<u>40,665,485</u>
Operating income	5,506,557	3,282,199
Non-operating revenues:		
Interest	465,937	285,707
Rental income	<u>156,551</u>	<u>-</u>
Total non-operating revenues	<u>622,488</u>	<u>285,707</u>
Change in net position	6,129,045	3,567,906
Net position, beginning of year	<u>13,090,375</u>	<u>9,522,469</u>
Net position, end of year	<u>\$ 19,219,420</u>	<u>\$ 13,090,375</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received for premium contributions	\$ 43,661,550	\$ 43,746,147
Cash paid for insurance claims	(32,780,844)	(33,402,169)
Cash paid for insurance premiums	(2,690,285)	(3,593,663)
Cash paid to employees, member districts and vendors	<u>(3,589,850)</u>	<u>(3,504,099)</u>
Net cash provided by operating activities	4,600,571	3,246,216
Cash flows provided by capital and related financing activities:		
Purchase of capital assets	(3,900,000)	-
Cash flows from investing activities:		
Interest received	421,723	240,706
Rental income	<u>156,551</u>	<u>-</u>
Net cash provided by investing activities	<u>578,274</u>	<u>240,706</u>
Net increase in cash and cash equivalents	1,278,845	3,486,922
Cash and cash equivalents, beginning of year	<u>19,288,983</u>	<u>15,802,061</u>
Cash and cash equivalents, end of year	<u>\$ 20,567,828</u>	<u>\$ 19,288,983</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,506,557	\$ 3,282,199
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	49,027	11,486
Decrease in receivables	609,374	(647,880)
(Increase) decrease in prepaid expenses	(161,865)	399,359
Decrease (increase) in deferred outflows	247,629	(259,026)
Increase in accounts payable	38,827	30,012
(Decrease) in due to member districts	(395)	(166,861)
(Decrease) increase in claims payable	(550,592)	488,841
(Decrease) increase in unearned revenue	(55,702)	65,568
(Decrease) increase in net pension liability	(15,998)	177,449
(Decrease) in unpaid claims and claims adjustment expenses	(1,080,071)	(172,929)
Increase in deferred inflows	<u>13,780</u>	<u>37,998</u>
Net cash provided by operating activities	<u>\$ 4,600,571</u>	<u>\$ 3,246,216</u>

See accompanying notes to financial statements.

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Tri-County Schools Insurance Group (the "Group"), is a Joint Powers Authority (JPA) established by a Joint Powers Agreement in 1983 for the purpose of providing property, casualty and health benefits coverages (Program Coverages) to its members. Members are public entities including school districts, county offices of education and community colleges.

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting in accordance with governmental 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 related liabilities are recognized when the obligation is incurred.

Program Accounting: The accounts of the Group are organized on the basis of programs, each of which is considered to be a separate accounting entity. These Proprietary funds have been combined for the presentation of the financial statements. The operations of each program are accounted for by providing a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The general and administrative accounts of the Group are allocated to each program on a pro-rata basis. The four programs include:

1. *Property and Casualty* - The Property and Casualty Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Property and Casualty program is established and maintained for Member contributions, to be used for the payment of, but not limited to, the following: self-insured claim payments, insurance premiums, claims administration expenses, investigative costs, legal costs, expert witness fees, audit costs, broker fees, property appraisal fees and miscellaneous.

2. *Medical Program* - The Medical Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Medical 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, life and medical insurance premiums, claims administration expenses, investigative costs, legal costs, audit costs, and miscellaneous.

3. *Dental Program* - The Dental Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Dental 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, claims administration expenses, the Group operating expenses, eligibility expenses, and miscellaneous. District contribution rates are based on amounts that adequately cover anticipated claims and attendant expenses of the program.

4. *Vision* - The Vision Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Vision 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, and miscellaneous.

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

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vendor Deposits: During 2015-16, the Group entered into a contract with Acorn Health Solutions to manage the wellness center and provided a \$50,000 deposit.

Prepaid Expenses: Insurance premiums paid for excess insurance policies are charged to expense over the policy period. Other charges paid are charged to the contract period.

Capital Assets: Capital assets purchased with an original cost of \$5,000 or more is recorded at historical cost. Depreciation is computed on the straight-line method with useful lives of three to thirty-nine 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.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of 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 recognition of the pension liability reported in the statement of net position.

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

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 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 the 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. 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 current portion of unpaid claims and claim adjustment expenses is estimated based on current year payments and known claims information at the end of the period.

Excess Insurance: The Group purchases specific occurrence excess insurance from excess or reinsurance providers for the Medical and Property/Casualty programs. For the year ended June 30, 2019, the specific excess insurance for medical claims provides coverage on a claims-paid basis for policy year losses related to individual members over \$400,000. The Group provides the property/casualty program with a self-insured retention of \$100,000 for property and \$425,000 for 2018-19 and \$375,000 for 2017-18 for liability excess insurance from this level up to \$55,000,000 per occurrence. Settlements have not exceeded insurance coverage in each of the past two years.

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 2.7% 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. Investments are reported at fair value.

Member Contributions and Revenue Recognition: Member contributions are recognized as revenues in the period for which insurance protection is provided. Amounts not yet recovered from members are reported as contributions receivable and amounts received in advance as unearned revenue. If the Group's Board of Directors determines that the insurance funds for a program are insufficient to pay losses, the Group may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed. The contributions for the Group's Medical, Dental and Vision programs were based on an actuarial study which included estimated administrative expenses. The contributions for the Group's Property Casualty program were based on excess premiums negotiated in the market place and on an actuarial study which included estimated administrative expenses. Operating revenues and expenses include all activities necessary to achieve the objectives of the Group. Non-operating revenues and expenses include investment activities and other non-essential activity.

Entities applying for membership must be approved by a majority vote of the Executive Committee members present and voting, and must pay an appropriate entry fee or charge as established by the Executive Committee. Members may withdraw from the Group upon advance written notice subject to the participation agreement of each program. The effect of withdrawal (or termination) for the pooling programs does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

Designated Net Position: The Board has designated a stabilization reserve at a 95% confidence interval for the Medical program and an amount not less than seven times the current specific stop loss of \$425,000 for 2018-19 and 2017-18 in the Property and Casualty program. The stabilization reserve at June 30, 2019 and 2018 was \$7,500,000 for the Medical program. The stabilization reserve at June 30, 2019 and 2018 was \$14,868,272 and \$12,590,200, respectively, for Property and Casualty. Any net position in the Dental and Vision programs are undesignated.

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. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the unpaid claims and claim adjustment expenses.

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

	<u>2019</u>	<u>2018</u>
Cash in Yuba County Treasury	\$ 20,363,558	\$ 19,300,719
Cash on hand and in banks	222,863	78,278
Claims disbursement account	<u>(18,593)</u>	<u>(90,014)</u>
Total cash and cash equivalents	<u>\$ 20,567,828</u>	<u>\$ 19,288,983</u>

Cash in County Treasury: The Group maintains substantially all of its cash in the interest bearing Yuba County Treasurer's Pooled Investment Fund. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool. In accordance with applicable state laws, the Yuba County Treasury may invest in derivative securities with the State of California. However, at June 30, 2019 the Yuba County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Because the Group's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and the Group's share of the pool 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.

The Group's deposits in the Fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds.

Custodial Credit Risk: Interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2019, the carrying amount of the Group's accounts was \$222,863 and the bank balances were \$483,523, which was fully insured. At June 30, 2018, the carrying amount of the Group's accounts was \$78,278 and the bank balances were \$1,713,857. \$500,000 of the bank balance was FDIC insured and \$1,213,857 was uninsured. The carrying value and the bank balance differ due to deposits in transit and outstanding checks.

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investment Interest Rate Risk: The Group has adopted the Yuba County Investment Pool policy does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2019 and 2018, the Group had no significant interest rate risk related to cash and cash equivalents held.

Investment Credit Risk: The Group has adopted the Yuba County Investment Pool policy does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Investment Credit Risk: The Group does not place limits on the amount it may invest in any one issuer. At June 30, 2019 and 2018, the Group had no concentration of credit risk.

NOTE 3 – RECEIVABLES

Accounts receivable at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 497,179	\$ 610,475
Excess insurance receivable	-	470,465
Interest receivable	126,214	82,000
Other receivable	<u>287,719</u>	<u>313,332</u>
	<u>\$ 911,112</u>	<u>\$ 1,476,272</u>

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the years ended June 30, 2019 and 2018, is shown below.

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2019</u>
Non-depreciable:				
Land	\$ 120,000	\$ 386,369	\$ -	\$ 506,369
Depreciable:				
Building	447,963	3,513,631	-	3,961,594
Equipment	74,218	-	-	74,218
Software	<u>58,598</u>	<u>-</u>	<u>-</u>	<u>58,598</u>
Totals, at cost	700,779	3,900,000	-	4,600,779
Less accumulated depreciation:				
Building	(67,788)	(49,027)	-	(116,815)
Equipment	(74,218)	-	-	(74,218)
Software	<u>(58,598)</u>	<u>-</u>	<u>-</u>	<u>(58,598)</u>
Total accumulated depreciation	<u>(200,604)</u>	<u>(49,027)</u>	<u>-</u>	<u>(249,631)</u>
Furniture and equipment, net	<u>\$ 500,175</u>	<u>\$ 3,850,973</u>	<u>\$ -</u>	<u>\$ 4,351,148</u>
	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Depreciable:				
Building	447,963	-	-	447,963
Equipment	74,218	-	-	74,218
Software	<u>58,598</u>	<u>-</u>	<u>-</u>	<u>58,598</u>
Totals, at cost	700,779	-	-	700,779
Less accumulated depreciation:				
Building	(56,302)	(11,486)	-	(67,788)
Equipment	(74,218)	-	-	(74,218)
Software	<u>(58,598)</u>	<u>-</u>	<u>-</u>	<u>(58,598)</u>
Total accumulated depreciation	<u>(189,118)</u>	<u>(11,486)</u>	<u>-</u>	<u>(200,604)</u>
Furniture and equipment, net	<u>\$ 511,661</u>	<u>\$ (11,486)</u>	<u>\$ -</u>	<u>\$ 500,175</u>

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 5 – 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 Program Coverages. The following represents changes in those aggregate liabilities during the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ <u>7,605,071</u>	\$ <u>7,778,000</u>
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	34,889,306	35,031,237
Change in provision for covered events of prior years	<u>(3,739,125)</u>	<u>(1,313,156)</u>
Total incurred claims and claim adjustment expenses	<u>31,150,181</u>	<u>33,718,081</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	30,125,582	28,789,737
Claims and claim adjustment expenses attributable to covered events of prior years	<u>2,104,670</u>	<u>5,101,273</u>
Total payments	<u>32,230,252</u>	<u>33,891,010</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 6,525,000</u>	<u>\$ 7,605,071</u>

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

	<u>2019</u>	<u>2018</u>
Claims incurred, but not reported (IBNR)	\$ 5,187,307	\$ 6,371,978
Unallocated loss adjustment expenses (ULAE)	567,000	443,500
Accrued claims reserves	<u>770,693</u>	<u>789,593</u>
Total unpaid claims and claim adjustment expenses	6,525,000	7,605,071
Current portion	<u>(5,053,680)</u>	<u>(6,087,808)</u>
Non-current portion	<u>\$ 1,471,320</u>	<u>\$ 1,517,263</u>

At June 30, 2019 and 2018, the liability for the property/casualty program was reported at present value using an expected future investment yield assumption of four percent. The undiscounted liability for the property/casualty program was \$2,264,532 and \$2,843,677 for the years ended June 30, 2019 and 2018, respectively. The discounted liability for the property/casualty program was \$2,196,000 and \$2,264,571 for the years ended June 30, 2019 and 2018, respectively. The remaining programs are not discounted due to the expected short-term nature of the respective liabilities. The change related to prior years is generally the result of ongoing analysis of loss development trends as the program periods continue to increase. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6 – NET PENSION LIABILITY

Plan Description: The Group contributes to the Miscellaneous 2.7% at 55 Risk Pool Plan under the California Public Employees' Retirement System (CalPERS) Public Employers 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 publicly available annual financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2018.pdf>.

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 Pool, are credited with a market value adjustment in determining contribution rates.

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

Members – The member contribution rate was 8 percent of applicable member earnings for fiscal years 2018-19 and 2017-18.

Employers – The employer contribution rate was 12.212 and 11.675 percent of applicable member earnings, for fiscal years 2018-19 and 2017-18, respectively.

The Group's contributions to CalPERS for the fiscal years ending June 30, 2019 and 2018 were \$66,592, and \$64,969, respectively, and equal 100% of the required contributions for each year.

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

At June 30, 2019, the Group reported a liability of \$741,937 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Group's proportion of the net pension liability was based on a projection of the Group's long-term share of contributions to the pension plan relative to the projected contributions of all participating JPAs, actuarially determined.

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6 – NET PENSION LIABILITY (Continued)

At June 30, 2018, the Group reported a liability of \$757,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Group's proportion of the net pension liability was based on a projection of the Group's long-term share of contributions to the pension plan relative to the projected contributions of all participating JPAs, actuarially determined.

At June 30, 2019, the Group's proportion was 0.019 percent, which was the same percent as its proportion measured as of June 30, 2018. At June 30, 2018, the Group's proportion was 0.019 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the Group recognized pension expense of \$245,412 and \$43,575, respectively. At June 30, 2019, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Difference between expected and actual experience	\$ 28,467	\$ 9,687
Changes of assumptions	84,583	20,730
Net differences between projected and actual earnings on investments	3,668	-
Changes in proportion and differences between Group contributions and proportionate share of contributions	12,040	40,521
Contributions made subsequent to measurement date	<u>66,592</u>	<u>-</u>
Total	<u>\$ 195,350</u>	<u>\$ 70,938</u>

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE 6 – NET PENSION LIABILITY (Continued)

At June 30, 2018, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,018	\$ 14,578
Changes of assumptions	126,249	9,627
Net differences between projected and actual earnings on investments	28,552	-
Changes in proportion and differences between Group contributions and proportionate share of contributions	222,191	32,953
Contributions made subsequent to measurement date	<u>64,969</u>	<u>-</u>
Total	<u>\$ 442,979</u>	<u>\$ 57,158</u>

At June 30, 2019, \$66,592 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended <u>June 30,</u>	
2020	\$ 58,126
2021	\$ 32,665
2022	\$ (26,298)
2023	\$ (6,673)

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE 6 – NET PENSION LIABILITY (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997 to 2015
Actuarial Cost Method	Individual Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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>Assumed Asset Allocation</u>	<u>Real Rate of Return Years 1-10**</u>	<u>Real Rate of Return Years 11+***</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)

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

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

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019 and 2018

NOTE 6 – NET PENSION LIABILITY (Continued)

Discount rate: At June 30, 2019 and 2018, the discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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 cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the JPA's proportionate share of the net pension liability to changes in the discount rate. For the year ended June 30, 2019 and 2018, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 7.15 and 7.15 percent, 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:

	June 30, 2019		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Group's proportionate share of the net pension liability	<u>\$ 1,177,436</u>	<u>\$ 741,937</u>	<u>\$ 382,440</u>
	June 30, 2018		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Group's proportionate share of the net pension liability	<u>\$ 1,174,086</u>	<u>\$ 757,935</u>	<u>\$ 413,270</u>

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

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 7 – JOINT POWERS AGREEMENTS

Participation in Joint Powers Authorities: The Group participates in a joint venture under joint powers agreement (JPA) with North Valley Schools Insurance Group (NVSIG) and Schools Excess Liability Fund (SELF). The relationship between the Group and the JPAs is such that the JPAs are not a component unit of the Group for financial reporting purposes.

The JPAs arrange for and provides the services and other items necessary and appropriate for the establishment, operation, and maintenance of workers' compensation, excess liability, other risk pooling and insured plans. Boards consisting of a representative from each member agency govern the JPAs. The Boards control the operations of the JPAs including approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member's agency pays a premium commensurate with the actuarial determination proportionate to their ADA. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed financial information for NVSIG and SELF for the year ended June 30, 2018 (most recent information available) and 2019, respectively:

	<u>NVSIG</u>	<u>SELF</u>
Total assets	\$ 3,308,256	\$ 121,323,694
Deferred outflow of resources	\$ -	\$ 423,181
Total liabilities	\$ 1,738,535	\$ 101,851,136
Deferred inflow of resources	\$ -	\$ 31,467
Total net position	\$ 1,569,721	\$ 19,864,272
Total revenues	\$ 13,843,468	\$ 25,735,366
Total expenses	\$ 13,840,086	\$ 23,968,407
Change in net position	\$ 3,382	\$ 1,766,959

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
For the Years Ended June 30, 2019 and 2018

	Property and Casualty		Medical Benefits		Dental Benefits		Vision Benefits		Totals	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses, beginning of year	\$ 2,264,571	\$ 2,395,000	\$ 5,095,000	\$ 5,195,000	\$ 206,500	\$ 155,000	\$ 39,000	\$ 33,000	\$ 7,605,071	\$ 7,778,000
Incurred claims and claim adjustment expenses:										
Provision for covered events of the current year	576,414	1,025,001	31,112,059	30,772,208	2,729,491	2,751,972	471,342	482,056	34,889,306	35,031,237
Change in provision for covered events of prior years	<u>215,795</u>	<u>(471,027)</u>	<u>(3,726,043)</u>	<u>(670,421)</u>	<u>(206,500)</u>	<u>(155,238)</u>	<u>(22,377)</u>	<u>(16,470)</u>	<u>(3,739,125)</u>	<u>(1,313,156)</u>
Total incurred claims and claim adjustment expenses	<u>792,209</u>	<u>553,974</u>	<u>27,386,016</u>	<u>30,101,787</u>	<u>2,522,991</u>	<u>2,596,734</u>	<u>448,965</u>	<u>465,586</u>	<u>31,150,181</u>	<u>33,718,081</u>
Payments:										
Claims and claim adjustment expenses attributable to covered events of the current fiscal year	141,690	124,001	26,985,059	25,677,208	2,565,491	2,545,472	433,342	443,056	30,125,582	28,789,737
Claims and claim adjustment expenses attributable to covered events of prior years	<u>719,090</u>	<u>560,402</u>	<u>1,368,957</u>	<u>4,524,579</u>	<u>-</u>	<u>(238)</u>	<u>16,623</u>	<u>16,530</u>	<u>2,104,670</u>	<u>5,101,273</u>
Total payments	<u>860,780</u>	<u>684,403</u>	<u>28,354,016</u>	<u>30,201,787</u>	<u>2,565,491</u>	<u>2,545,234</u>	<u>449,965</u>	<u>459,586</u>	<u>32,230,252</u>	<u>33,891,010</u>
Total unpaid claims and claims adjustment expense, end of year	\$ 2,196,000	\$ 2,264,571	\$ 4,127,000	\$ 5,095,000	\$ 164,000	\$ 206,500	\$ 38,000	\$ 39,000	\$ 6,525,000	\$ 7,605,071
Claims incurred but not reported	\$ 1,391,307	\$ 1,421,978	\$ 3,639,000	\$ 4,720,000	\$ 134,000	\$ 195,000	\$ 23,000	\$ 35,000	\$ 5,187,307	\$ 6,371,978
ULAE	34,000	53,000	488,000	375,000	30,000	11,500	15,000	4,000	567,000	443,500
Accrued claims reserves	<u>770,693</u>	<u>789,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770,693</u>	<u>789,593</u>
Total unpaid claims and claims adjustment expense	<u>\$ 2,196,000</u>	<u>\$ 2,264,571</u>	<u>\$ 4,127,000</u>	<u>\$ 5,095,000</u>	<u>\$ 164,000</u>	<u>\$ 206,500</u>	<u>\$ 38,000</u>	<u>\$ 39,000</u>	<u>\$ 6,525,000</u>	<u>\$ 7,605,071</u>

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
For the Year Ended June 30, 2019

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

- (1) Total of each fiscal year's gross earned contribution and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution and investment revenues.
- (2) Each fiscal year's other operating costs of the Group including overhead and claims expenses not allocable to individual claims (for the medical, dental and vision programs, unallocated loss adjustment expenses are included in lines 3 and 6).
- (3) The Group's gross incurred claims and claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) Cumulative amounts paid as of the end of successive years for each policy year.
- (5) The latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- (6) Each policy year's net 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)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
PROPERTY AND CASUALTY
June 30, 2019

	Fiscal and Policy Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contribution and investment revenue:										
Earned	\$ 1,628,575	\$ 1,640,178	\$ 1,656,659	\$ 1,651,409	\$ 1,652,844	\$ 1,693,848	\$ 1,733,439	\$ 2,064,990	\$ 2,266,532	\$ 1,553,266
Ceded	<u>(1,001,184)</u>	<u>(1,010,207)</u>	<u>(1,052,946)</u>	<u>(933,911)</u>	<u>(994,541)</u>	<u>(1,017,605)</u>	<u>(1,038,572)</u>	<u>(945,037)</u>	<u>(1,125,526)</u>	<u>(819,080)</u>
Net earned	<u>\$ 627,391</u>	<u>\$ 629,971</u>	<u>\$ 603,713</u>	<u>\$ 717,498</u>	<u>\$ 658,303</u>	<u>\$ 676,243</u>	<u>\$ 694,867</u>	<u>\$ 1,119,953</u>	<u>\$ 1,141,006</u>	<u>\$ 734,186</u>
2. Unallocated expenses	\$ 104,083	\$ 65,331	\$ 82,494	\$ 57,721	\$ 191,421	\$ 82,502	\$ 49,412	\$ 207,100	\$ 246,493	\$ 241,305
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 613,881	\$ 688,243	\$ 580,373	\$ 705,659	\$ 795,597	\$ 828,092	\$ 898,555	\$ 1,318,499	\$ 1,025,001	\$ 576,414
Ceded	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incurred	<u>\$ 613,881</u>	<u>\$ 688,243</u>	<u>\$ 580,373</u>	<u>\$ 705,659</u>	<u>\$ 795,597</u>	<u>\$ 828,092</u>	<u>\$ 898,555</u>	<u>\$ 1,318,499</u>	<u>\$ 1,025,001</u>	<u>\$ 576,414</u>
4. Paid (cumulative) as of:										
End of year	\$ 281,578	\$ 247,840	\$ 141,845	\$ 263,647	\$ 233,971	\$ 217,164	\$ 283,089	\$ 197,320	\$ 124,001	\$ 141,690
One year later	\$ 445,589	\$ 387,272	\$ 182,068	\$ 579,097	\$ 447,436	\$ 254,418	\$ 356,699	\$ 434,529	\$ 193,132	
Two years later	\$ 543,011	\$ 465,042	\$ 297,706	\$ 752,692	\$ 514,895	\$ 342,097	\$ 647,196	\$ 835,541		
Three years later	\$ 550,579	\$ 482,395	\$ 515,914	\$ 937,112	\$ 766,458	\$ 368,215	\$ 741,264			
Four years later	\$ 547,376	\$ 639,383	\$ 601,811	\$ 1,175,392	\$ 701,811	\$ 535,089				
Five year later	\$ 546,017	\$ 639,383	\$ 569,068	\$ 1,192,704	\$ 701,811					
Six years later	\$ 547,992	\$ 639,038	\$ 236,408	\$ 1,192,704						
Seven years later	\$ 540,780	\$ 638,218	\$ 236,408							
Eight years later	\$ 545,769	\$ 638,218								
Nine years later	\$ 546,065									
5. Reestimated ceded claims and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Reestimated net incurred claims and expenses:										
End of year	\$ 613,881	\$ 688,243	\$ 580,373	\$ 705,659	\$ 795,597	\$ 828,092	\$ 898,555	\$ 1,318,499	\$ 1,025,001	\$ 576,414
One year later	\$ 1,054,645	\$ 677,509	\$ 598,099	\$ 1,100,812	\$ 1,133,801	\$ 760,897	\$ 869,578	\$ 1,302,928	\$ 971,109	
Two years later	\$ 706,407	\$ 684,658	\$ 548,867	\$ 1,323,944	\$ 792,409	\$ 761,526	\$ 713,056	\$ 1,129,836		
Three years later	\$ 714,390	\$ 773,679	\$ 652,686	\$ 1,345,308	\$ 789,012	\$ 482,519	\$ 757,811			
Four years later	\$ 587,239	\$ 694,770	\$ 625,129	\$ 1,490,371	\$ 786,620	\$ 652,285				
Five year later	\$ 553,972	\$ 694,301	\$ 630,902	\$ 1,490,891	\$ 764,216					
Six years later	\$ 548,958	\$ 640,383	\$ 569,068	\$ 1,268,981						
Seven years later	\$ 544,086	\$ 641,026	\$ 575,551							
Eight years later	\$ 540,780	\$ 627,368								
Nine years later	\$ 542,759									
7. (Decrease) increase in estimated incurred claims expense from end of policy year	<u>\$ (71,122)</u>	<u>\$ (60,875)</u>	<u>\$ (4,822)</u>	<u>\$ 563,322</u>	<u>\$ (31,381)</u>	<u>\$ (175,807)</u>	<u>\$ (140,744)</u>	<u>\$ (188,663)</u>	<u>\$ (53,892)</u>	<u>\$ -</u>

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
MEDICAL BENEFITS
June 30, 2019

	Fiscal and Policy Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contribution and investment revenue:										
Earned	\$45,385,352	\$49,473,150	\$53,274,710	\$52,793,308	\$55,324,127	\$59,652,397	\$46,261,123	\$37,386,751	\$38,239,446	\$ 38,668,600
Ceded	<u>(2,011,758)</u>	<u>(1,831,707)</u>	<u>(2,314,859)</u>	<u>(2,456,284)</u>	<u>(2,639,431)</u>	<u>(2,971,772)</u>	<u>(2,082,997)</u>	<u>(2,120,700)</u>	<u>(2,486,721)</u>	<u>(2,179,804)</u>
Net earned	<u>\$43,373,594</u>	<u>\$47,641,443</u>	<u>\$50,959,851</u>	<u>\$50,337,024</u>	<u>\$52,684,696</u>	<u>\$56,680,625</u>	<u>\$44,178,126</u>	<u>\$35,266,051</u>	<u>\$35,752,725</u>	<u>\$ 36,488,796</u>
2. Unallocated expenses	\$ 2,945,221	\$ 3,029,152	\$ 3,458,588	\$ 3,948,467	\$ 4,205,282	\$ 5,163,063	\$ 4,215,653	\$ 3,024,294	\$ 2,783,182	\$ 3,360,398
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	\$48,795,965	\$48,490,173	\$51,949,012	\$51,418,622	\$57,549,698	\$55,711,049	\$39,690,639	\$31,483,857	\$31,460,157	\$31,727,681
Ceded	<u>(1,262,786)</u>	<u>(1,544,212)</u>	<u>(1,006,661)</u>	<u>(1,387,854)</u>	<u>(1,008,672)</u>	<u>(744,718)</u>	<u>(1,262,933)</u>	<u>(1,114,212)</u>	<u>(687,949)</u>	<u>(615,622)</u>
Net incurred	<u>\$47,533,179</u>	<u>\$46,945,961</u>	<u>\$50,942,351</u>	<u>\$50,030,768</u>	<u>\$56,541,026</u>	<u>\$54,966,331</u>	<u>\$38,427,706</u>	<u>\$30,369,645</u>	<u>\$30,772,208</u>	<u>\$31,112,059</u>
4. Paid (cumulative) as of:										
End of year	\$39,736,317	\$39,127,192	\$44,017,017	\$42,422,749	\$47,712,177	\$47,491,331	\$32,192,706	\$25,174,645	\$25,677,208	\$26,985,059
One year later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652	\$36,665,398	\$30,960,063	\$30,348,564	
Two years later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652	\$36,665,398	\$30,960,063		
Three years later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652	\$36,665,398			
Four years later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652				
Five year later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814					
Six years later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703						
Seven years later	\$45,727,569	\$43,077,794	\$49,102,341							
Eight years later	\$45,727,569	\$43,077,794								
Nine years later	\$45,727,569									
5. Reestimated ceded claims and expenses	\$ 2,806,998	\$ 1,971,153	\$ 2,394,515	\$ 2,184,019	\$ 1,920,065	\$ 2,007,651	\$ 2,377,345	\$ 1,114,212	\$ 687,949	\$ 615,622
6. Reestimated net incurred claims and expenses:										
End of year	\$47,533,179	\$46,945,961	\$50,942,351	\$53,030,768	\$56,541,026	\$54,966,331	\$38,427,706	\$30,369,645	\$30,772,208	\$31,112,059
One year later	\$45,727,596	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652	\$36,665,398	\$30,960,063	\$30,348,564	
Two years later	\$45,727,596	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652	\$36,665,398	\$30,960,063		
Three years later	\$45,727,596	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652	\$36,665,398			
Four years later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814	\$53,964,652				
Five year later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703	\$53,296,814					
Six years later	\$45,727,569	\$43,077,794	\$49,102,341	\$49,901,703						
Seven years later	\$45,727,569	\$43,077,794	\$49,102,341							
Eight years later	\$45,727,569	\$43,077,794								
Nine years later	\$45,727,569									
7. (Decrease) increase in estimated incurred claims expense from end of policy year	<u>\$ (1,805,610)</u>	<u>\$ (3,868,167)</u>	<u>\$ (1,840,010)</u>	<u>\$ (129,065)</u>	<u>\$ (3,244,212)</u>	<u>\$ (1,001,679)</u>	<u>\$ (1,762,308)</u>	<u>\$ 187,855</u>	<u>\$ (423,644)</u>	<u>\$ -</u>

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
DENTAL BENEFITS
June 30, 2019

	Fiscal and Policy Year Ended June 30,									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Required contribution and investment revenue:										
Earned	\$ 3,349,556	\$ 3,245,648	\$ 3,339,747	\$ 3,164,691	\$ 3,393,867	\$ 3,564,258	\$ 3,761,711	\$ 2,947,151	\$ 3,061,229	\$ 3,129,869
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	<u>\$ 3,349,556</u>	<u>\$ 3,245,648</u>	<u>\$ 3,339,747</u>	<u>\$ 3,164,691</u>	<u>\$ 3,393,867</u>	<u>\$ 3,564,258</u>	<u>\$ 3,761,711</u>	<u>\$ 2,947,151</u>	<u>\$ 3,061,229</u>	<u>\$ 3,129,869</u>
2. Unallocated expenses	\$ 266,612	\$ 280,006	\$ 264,277	\$ 259,438	\$ 252,763	\$ 280,445	\$ 255,200	\$ 214,054	\$ 217,367	\$ 219,441
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 3,518,329	\$ 3,719,162	\$ 3,606,705	\$ 3,727,484	\$ 3,571,998	\$ 3,472,990	\$ 3,380,590	\$ 2,622,000	\$ 2,751,972	\$ 2,729,491
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	<u>\$ 3,518,329</u>	<u>\$ 3,719,162</u>	<u>\$ 3,606,705</u>	<u>\$ 3,727,484</u>	<u>\$ 3,571,998</u>	<u>\$ 3,472,990</u>	<u>\$ 3,380,590</u>	<u>\$ 2,622,000</u>	<u>\$ 2,751,972</u>	<u>\$ 2,719,491</u>
4. Paid (cumulative) as of:										
End of year	\$ 3,077,759	\$ 3,253,717	\$ 3,160,782	\$ 3,268,008	\$ 3,267,697	\$ 3,232,990	\$ 3,155,590	\$ 2,467,000	\$ 2,545,472	\$ 2,565,491
One year later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,416,587	\$ 3,381,858	\$ 3,283,961	\$ 2,574,229	\$ 2,550,909	
Two years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,416,587	\$ 3,381,858	\$ 3,283,961	\$ 2,574,229		
Three years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,416,587	\$ 3,381,858	\$ 3,283,961			
Four years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,416,587	\$ 3,381,858				
Five year later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,416,587					
Six years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634						
Seven years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074							
Eight years later	\$ 3,319,497	\$ 3,453,644								
Nine years later	\$ 3,319,497									
5. Reestimated ceded claims and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Reestimated net incurred claims and expenses:										
End of year	\$ 3,518,329	\$ 3,719,162	\$ 3,606,705	\$ 3,727,484	\$ 3,571,998	\$ 3,472,990	\$ 3,380,590	\$ 2,622,000	\$ 2,751,972	\$ 2,729,491
One year later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,436,634	\$ 3,381,858	\$ 3,283,961	\$ 2,574,229	\$ 2,550,909	
Two years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,436,634	\$ 3,381,858	\$ 3,283,961	\$ 2,574,229		
Three years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,436,634	\$ 3,381,858	\$ 3,283,961			
Four years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,436,634	\$ 3,381,858				
Five year later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634	\$ 3,436,634					
Six years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074	\$ 3,436,634						
Seven years later	\$ 3,319,497	\$ 3,453,644	\$ 3,337,074							
Eight years later	\$ 3,319,497	\$ 3,453,644								
Nine years later	\$ 3,319,497									
7. (Decrease) increase in estimated incurred- claims expense from end of policy year	<u>\$ (198,832)</u>	<u>\$ (265,518)</u>	<u>\$ (269,631)</u>	<u>\$ (290,850)</u>	<u>\$ (135,364)</u>	<u>\$ (91,132)</u>	<u>\$ (96,629)</u>	<u>\$ (47,771)</u>	<u>\$ (201,063)</u>	<u>\$ -</u>

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
VISION BENEFITS
June 30, 2019

	Fiscal and Policy Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Required contribution and investment revenue:										
Earned	\$ 752,122	\$ 734,336	\$ 721,166	\$ 719,691	\$ 776,361	\$ 777,723	\$ 758,361	\$ 640,353	\$ 666,184	\$ 692,544
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	<u>\$ 752,122</u>	<u>\$ 734,336</u>	<u>\$ 721,166</u>	<u>\$ 719,691</u>	<u>\$ 776,361</u>	<u>\$ 777,723</u>	<u>\$ 758,361</u>	<u>\$ 640,353</u>	<u>\$ 666,184</u>	<u>\$ 692,544</u>
2. Unallocated expenses	\$ 93,607	\$ 93,266	\$ 95,331	\$ 98,065	\$ 99,154	\$ 101,896	\$ 98,090	\$ 80,978	\$ 88,115	\$ 101,576
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 650,641	\$ 638,847	\$ 668,326	\$ 676,058	\$ 656,660	\$ 617,894	\$ 607,177	\$ 445,301	\$ 482,056	\$ 471,342
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	<u>\$ 650,641</u>	<u>\$ 638,847</u>	<u>\$ 668,326</u>	<u>\$ 676,058</u>	<u>\$ 656,660</u>	<u>\$ 617,894</u>	<u>\$ 607,177</u>	<u>\$ 445,301</u>	<u>\$ 482,056</u>	<u>\$ 471,342</u>
4. Paid (cumulative) as of:										
End of year	\$ 593,173	\$ 581,997	\$ 609,270	\$ 616,630	\$ 598,923	\$ 577,894	\$ 567,177	\$ 415,804	\$ 443,056	\$ 433,342
One year later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495	\$ 588,833	\$ 437,460	\$ 432,694	
Two years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495	\$ 588,833	\$ 437,460		
Three years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495	\$ 588,833			
Four years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495				
Five year later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194					
Six years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706						
Seven years later	\$ 618,023	\$ 606,811	\$ 631,062							
Eight years later	\$ 618,023	\$ 606,811								
Nine years later	\$ 618,023									
5. Reestimated ceded claims and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Reestimated net incurred claims and expenses:										
End of year	\$ 650,641	\$ 638,847	\$ 668,326	\$ 676,058	\$ 656,660	\$ 617,894	\$ 607,177	\$ 445,301	\$ 482,056	\$ 471,342
One year later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495	\$ 588,833	\$ 437,460	\$ 432,694	
Two years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495	\$ 588,833	\$ 437,460		
Three years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495	\$ 588,833			
Four years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194	\$ 596,495				
Five year later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706	\$ 626,194					
Six years later	\$ 618,023	\$ 606,811	\$ 631,062	\$ 636,706						
Seven years later	\$ 618,023	\$ 606,811	\$ 631,062							
Eight years later	\$ 618,023	\$ 606,811								
Nine years later	\$ 618,023									
7. (Decrease) increase in estimated incurred claims expense from end of policy year	<u>\$ (32,618)</u>	<u>\$ (32,036)</u>	<u>\$ (37,264)</u>	<u>\$ (39,352)</u>	<u>\$ (30,466)</u>	<u>\$ (21,399)</u>	<u>\$ (18,344)</u>	<u>\$ (11,344)</u>	<u>\$ (49,362)</u>	<u>\$ -</u>

TRI-COUNTY SCHOOLS INSURANCE GROUP
SCHEDULE OF THE GROUP'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Years Ended June 30, 2019 and 2018

Public Employer's Retirement Fund
Last 10 Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The Group's proportion of the net pension liability	0.018%	0.017%	0.019%	0.019%
The Group's proportionate share of the net pension liability	\$ 494,235	\$ 580,486	\$ 757,935	\$ 741,937
The Group's covered payroll	\$ 415,000	\$ 318,000	\$ 282,000	\$ 264,000
The Group's proportionate share of the net pension liability as a percentage of its covered payroll	174.23%	182.54%	268.77%	281.04%
Plan fiduciary net position as a percentage of the total pension liability	79.89%	78.30%	75.39%	76.28%

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

All years prior to 2016 are not available.

TRI-COUNTY SCHOOLS INSURANCE GROUP
SCHEDULE OF THE GROUP'S CONTRIBUTIONS
For the Years Ended June 30, 2019 and 2018

Public Employer's Retirement Fund

Last 10 Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 57,338	\$ 54,758	\$ 64,969	\$ 66,592
Contributions in relation to the contractually required contribution	<u>(57,338)</u>	<u>(54,758)</u>	<u>(64,969)</u>	<u>(66,592)</u>
Contribution deficiency (excess)	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>
The Group's covered payroll	\$ 318,000	\$ 282,000	\$ 264,000	\$ 277,000
Contributions as a percentage of covered payroll	18.03%	19.42%	24.61%	24.04%

All years prior to 2016 are not available.

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2019 and 2018

NOTE 1 – PURPOSE OF SCHEDULES

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 full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the Group's Contributions: The Schedule of the Group's Contributions is presented to illustrate the Group's required contributions relating to the pension. 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.

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

Changes of Assumptions: The discount rate for Public Employer's Retirement Fund C was 7.50, 7.65, 7.65, 7.15 and 7.15 percent in the June 30, 2013, June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 actuarial reports, respectively.

SUPPLEMENTARY INFORMATION

TRI-COUNTY SCHOOLS INSURANCE GROUP
 COMBINING STATEMENT OF NET POSITION
 June 30, 2019

	Property and Casualty	Medical	Dental	Vision	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,254,106	\$ 15,387,888	\$ 1,202,383	\$ 723,451	\$ 20,567,828
Accounts receivable	24,026	852,913	25,658	8,515	911,112
Vendor deposits	-	50,000	-	-	50,000
Prepaid expenses	<u>881,854</u>	<u>456,318</u>	<u>34</u>	<u>20</u>	<u>1,338,226</u>
Total current assets	4,159,986	16,747,119	1,228,075	731,986	22,867,166
Property and equipment, net	<u>216,844</u>	<u>3,789,951</u>	<u>214,846</u>	<u>129,507</u>	<u>4,351,148</u>
Total assets	<u>4,376,830</u>	<u>20,537,070</u>	<u>1,442,921</u>	<u>861,493</u>	<u>27,218,314</u>
DEFERRED OUTFLOWS					
Deferred outflows of resources –					
Pensions	<u>9,770</u>	<u>169,952</u>	<u>9,769</u>	<u>5,859</u>	<u>195,350</u>
LIABILITIES					
Current liabilities:					
Accounts payable	3,270	275,422	3,269	1,962	283,923
Claims payable	-	388,437	52,964	42,432	483,833
Unearned revenue	1,566	40,213	1,565	939	44,283
Current portion of unpaid claims and claims adjustment expenses	<u>724,680</u>	<u>4,127,000</u>	<u>164,000</u>	<u>38,000</u>	<u>5,053,680</u>
Total current liabilities	729,516	4,831,072	221,798	83,333	5,865,719
Due to member districts	-	37,529	5,437	1,364	44,330
Net pension liability	38,097	645,486	36,097	22,257	741,937
Unpaid claims and claim adjustment expenses less current portion	<u>1,471,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,471,320</u>
Total liabilities	<u>2,238,933</u>	<u>5,514,087</u>	<u>263,332</u>	<u>106,954</u>	<u>8,123,306</u>
DEFERRED INFLOWS					
Deferred inflows of resources –					
Pensions	<u>3,547</u>	<u>61,717</u>	<u>3,548</u>	<u>2,126</u>	<u>70,938</u>
NET POSITION					
Net investment in capital assets	215,844	3,789,951	215,846	129,507	4,351,148
Unrestricted	<u>1,928,276</u>	<u>11,341,267</u>	<u>969,964</u>	<u>628,765</u>	<u>14,868,272</u>
Total net position	<u>\$ 2,144,120</u>	<u>\$ 15,131,218</u>	<u>\$ 1,185,810</u>	<u>\$ 758,272</u>	<u>\$ 19,219,420</u>

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

	<u>Property and Casualty</u>	<u>Medical</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
Operating revenues:					
Member contributions	\$ 1,456,489	\$ 38,341,998	\$ 3,103,463	\$ 676,392	\$ 43,578,342
Expenses:					
Operating expenses:					
Provision for claims and claim adjustment expenses	792,209	27,386,016	2,522,991	448,965	31,150,181
Insurance premiums	819,080	2,179,804			2,998,884
Contract services	<u>170,500</u>	<u>2,081,419</u>	<u>143,016</u>	<u>51,362</u>	<u>2,446,297</u>
Total operating expenses	1,781,789	31,647,239	2,666,007	500,327	36,595,362
General and administrative expenses	<u>70,805</u>	<u>1,278,979</u>	<u>76,425</u>	<u>50,214</u>	<u>1,476,423</u>
Total expenses	<u>1,852,594</u>	<u>32,926,218</u>	<u>2,742,432</u>	<u>550,541</u>	<u>38,071,785</u>
Operating (loss) income	(396,105)	5,415,780	361,031	125,851	5,506,557
Non-operating revenues:					
Interest	96,777	326,602	26,406	16,152	465,937
Rental Income	<u>7,828</u>	<u>136,199</u>	<u>7,828</u>	<u>4,696</u>	<u>156,551</u>
Total non-operating revenues	104,605	462,801	34,234	20,848	622,488
Change in net position	(291,500)	5,878,581	395,265	146,699	6,129,045
Net position, beginning of year	<u>2,435,620</u>	<u>9,252,637</u>	<u>790,545</u>	<u>611,573</u>	<u>13,090,375</u>
Net position, end of year	<u>\$ 2,144,120</u>	<u>\$ 15,131,218</u>	<u>\$ 1,185,810</u>	<u>\$ 758,272</u>	<u>\$ 19,219,420</u>

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

To the Board of Directors and Members
Tri-County Schools Insurance Group
Yuba City, 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 Tri-County Schools Insurance Group as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Tri-County Schools Insurance Group's financial statements, and have issued our report thereon dated February 18, 2020..

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-County Schools Insurance Group's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-County Schools Insurance Group's internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-County Schools Insurance Group's internal controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP
Crowe LLP

Sacramento, California
February 18, 2020