

TRI-COUNTY SCHOOLS INSURANCE GROUP

FINANCIAL STATEMENTS

June 30, 2020 and 2019

TRI-COUNTY SCHOOLS INSURANCE GROUP
Yuba City, California

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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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, 2020 and 2019, and the notes to the financial statements, which collectively comprise Tri-County Schools Insurance Group's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the 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, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 34, the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 35 and the Schedule of the Group's Contributions on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 are not a required part of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March XX, 2021 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

Simsbury, Connecticut
March 24, 2021



Tri-County Schools Insurance Group

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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. Our Mission is to pool risk and purchasing power of public entities to provide quality programs to our participants in an effective manner while emphasizing customer satisfaction, stability, financial solvency, and cost. Programs include Property & Liability, Workers’ Compensation, Medical, Dental, and Vision benefits. Life Insurance benefits and Employee Assistance Programs (EAP) are included within the Medical program. The 2019/2020 year was the inaugural year for TCSIG’s Workers’ Compensation program, which began 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 Sellers” 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. By continuing to follow this philosophy, TCSIG has expanded into eighteen counties.

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, 2020 and 2019. The Statement of Revenues, Expenses and Change in Net Position reports the operations of the organization for the years ended June 30, 2020 and 2019. The Statement of Cash Flows is presented in the direct method to reflect the operations of TCSIG for the years ended June 30, 2020 and 2019 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)822-5299.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

CONDENSED FINANCIAL INFORMATION

Statement of Net Position June 30, 2020, 2019 and 2018

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 26,197,768	\$ 22,867,166	\$ 21,991,616
Capital assets, net	<u>4,965,067</u>	<u>4,351,148</u>	<u>500,175</u>
Total assets	<u>31,162,831</u>	<u>27,218,314</u>	<u>22,491,791</u>
<u>DEFERRED OUTFLOWS</u>			
Deferred Outflows of resources-pensions	<u>193,233</u>	<u>195,350</u>	<u>442,979</u>
<u>LIABILITIES</u>			
Current liabilities	7,208,167	5,865,719	7,467,709
Long-term liabilities	<u>1,619,451</u>	<u>2,257,587</u>	<u>2,319,528</u>
Total liabilities	<u>9,491,034</u>	<u>8,123,306</u>	<u>9,787,237</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources-pensions	<u>79,963</u>	<u>70,938</u>	<u>57,158</u>
<u>NET POSITION</u>			
Invested in capital assets, net	4,965,065	4,351,148	500,175
Unrestricted, designated	10,032,899	9,940,276	9,935,620
Unrestricted, undesignated	<u>6,787,104</u>	<u>4,927,996</u>	<u>2,654,580</u>
Total net position	<u>\$ 21,785,068</u>	<u>\$ 19,219,420</u>	<u>\$ 13,090,375</u>

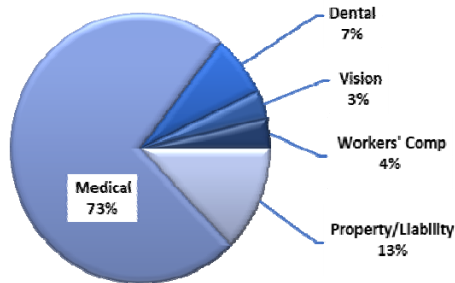
Statement of Revenues, Expenses and Change in Net Position For the Years Ended June 30, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>REVENUES</u>			
Member contributions	\$ 46,035,768	\$ 43,578,342	\$ 43,947,684
<u>EXPENSES</u>			
Operating expenses:			
Provision for claims and claim adjustment expenses	36,730,921	31,150,181	33,718,081
Insurance premiums	3,408,471	2,998,884	3,612,247
Contract services	2,485,613	2,446,297	2,284,308
General and administrative expenses	<u>1,586,738</u>	<u>1,476,423</u>	<u>1,050,849</u>
Total operating expenses	<u>44,211,743</u>	<u>38,071,785</u>	<u>40,665,485</u>
Operating (loss) income	1,824,025	5,506,557	3,282,199
<u>OTHER INCOME</u>			
Rental	288,168	156,551	0
Interest	<u>453,455</u>	<u>465,937</u>	<u>285,707</u>
Total other income	<u>741,623</u>	<u>622,488</u>	<u>285,707</u>
(Decrease) increase in net position	2,565,648	6,129,045	3,567,906
NET POSITION, beginning of year	<u>19,219,420</u>	<u>13,090,375</u>	<u>9,522,469</u>
NET POSITION, end of year	<u>\$ 21,785,068</u>	<u>\$ 19,219,420</u>	<u>\$ 13,090,375</u>

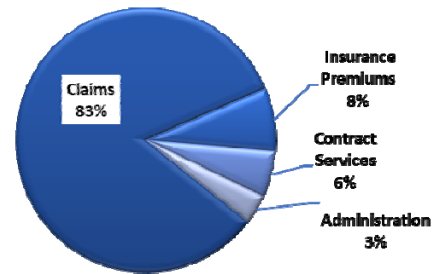
TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

**Total Assets by Program
June 30, 2020**



**Breakdown of Expenses
For The Year Ended June 30, 2020**



Analysis of Overall Financial Position and Results of Operations

Total assets increased \$3.9M and total liabilities increased \$1.4M from June 30, 2019 through June 30, 2020. As a result of these changes in assets and liabilities, the total net position increased again this year by \$2.6M from June 30, 2019 through June 30, 2020. TCSIG initiated a new Workers' Compensation program which attributed to part of the increase in assets and liabilities. The new program has attributed to approximately \$1M in savings to the member districts participating in the Workers' Compensation Program in just the first year. The above pie chart shows the breakdown of Total Assets between the programs. Other contributing factors to the increase in Net Position are the culture of health and wellness in the Employee Benefit Programs, and strong risk management across all programs. TCSIG continues to enhance benefits in the Medical Program and increase access to the Wellness Center, which helps to cultivate the culture of health and wellness. The Wellness Center is a member only medical clinic that provides medical care and education to the covered participants, it is an essential part of the TCSIG Employee Health and Wellness program. TCSIG continues to increase its strong financial position which made it possible to have a fourth year of ZERO rate increases in the Medical/Dental/Vision programs, while enhancing benefits. Also, the purchase of the Building in downtown Yuba City 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, plus provides administrative offices to TCSIG and its first ever Board Room. Above is a pie chart illustrating the breakdown of expenses by major category prior to the offset of rental income to Administration Costs.

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 for the year by \$6.1M from June 30, 2018 to June 30, 2019. TCSIG continued to increase its strong financial position year over year, which made it possible to purchase a building in downtown Yuba City during the 2018/2019 year, giving TCSIG its first home ever for Board meetings. On the next page is an image of the "TCSIG CORNER" Building at 400 Plumas Boulevard, Yuba City, CA.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020



In TCSIG's Property & Liability program, the continued effort to manage risk by all member districts has enabled the program to continue to remain strong and provide exceptional coverage for our members. TCSIG has been able to maintain the Memorandum of Coverage (MOC) at levels far superior to its counterparts. Member districts benefit from minimal deductibles on vehicles, while having no deductibles or drop downs on all other property and liability claims. TCSIG's pool provides great value and stability long-term to our member districts. The Property & Liability program has a healthy net position of \$2.8M on June 30, 2020.

During the 2018/2019 year, efforts to establish a Workers' Compensation program were successful. Effective July 1, 2019 TCSIG commenced its Workers' Compensation Program that empowered member districts to "pool their risk." By operating "Together" to negotiate coverage our member districts succeeded in having a comprehensive Workers' Compensation program that provides 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. During the 2019/20 inaugural year the program saved member districts approximately \$1M in premium contributions. A Risk Management Committee meets on a quarterly basis to analyze and discuss loss trends, industry trends, legislative changes, program enhancements, and ensure that proper practices are in place to manage risks.

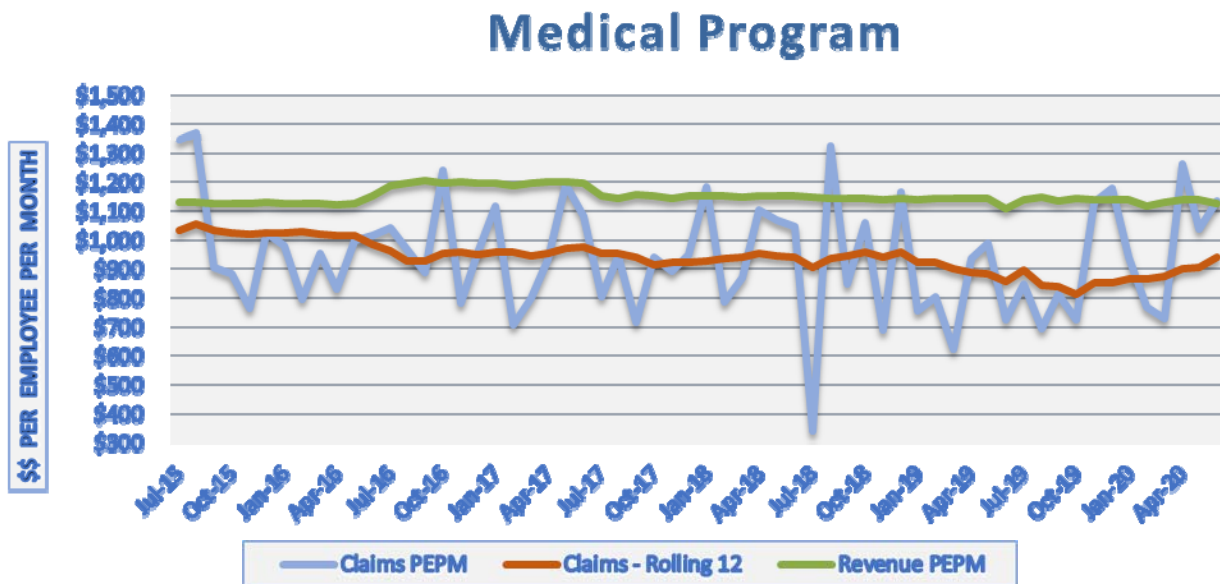
The Employee Benefit premium rates remained the same into the 2019/20 year and will enjoy the four-year ZERO percent trend into the 2020/2021 year. Having ZERO percent increase in rates, while enhancing benefits, is an immense testimonial to how well our participating members are working to better their health. TCSIG has provided many tools to help empower individuals, such as Disease Management Programs, utilizing the Wellness Center, using Tele-

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

health (health care via electronic technology, e.g., telephone), searching for the best providers at HealthCare Bluebook, and participating in the annual Biometric Screening to gain knowledge about one's own health. In the Medical/Dental/Vision Programs during the 2019/20 year the increase in Net Position was approximately \$2M.

The chart below shows the Medical Program's revenue and claims on a per employee per month (PEPM) basis over the last five years. The blue line shows the monthly paid claims, which 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 the average claims cost over the years. The green line is the average monthly revenue PEPM. As the red claims paid line indicates, the average claim remained fairly level with the prior year, which allowed TCSIG to maintain premium rates at the same level for the next fiscal year.

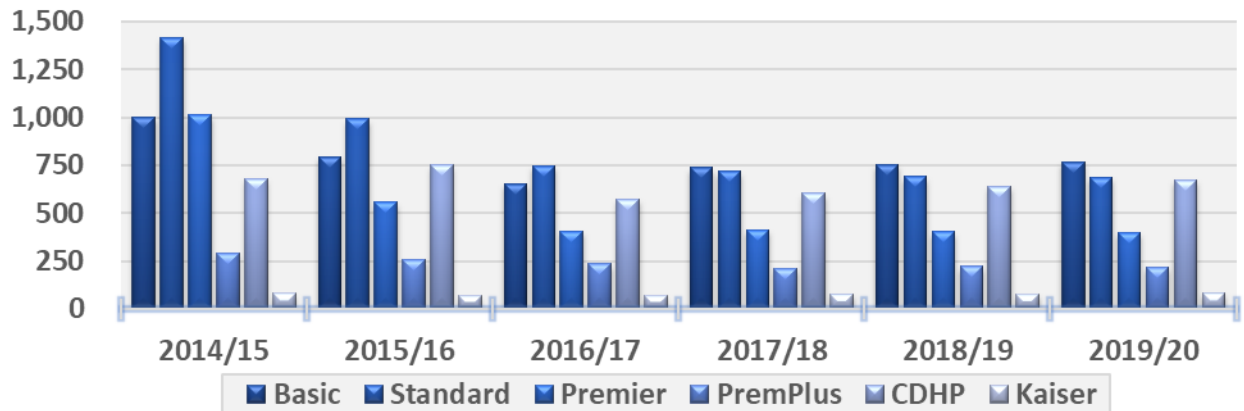


The TCSIG culture of wellness has a major impact to the average claim per member, curbing the claims trend line and causing it to be fairly level across the last four years, while the national average continues to climb. There are a wide variety of plans for employees to make choices that fit their needs. 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 for the last six years.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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 incentivized to help employees understand their own health condition. Access to the TCSIG Wellness Center, which opened January 2013, is an additional benefit for members. It is staffed with Nurse Practitioners, Physician Assistants, 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 much of the membership resides. The Wellness Center also provides telehealth for its members, expanding the access to outlying membership. These initiatives are believed to have a long-term impact on claims cost, which benefits the member agencies by curtailing the premium rate increases. Below is an image of the TCSIG Wellness Center on Live Oak Boulevard in Yuba City.



TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Comparison of Budget to Actual For the Year Ended June 30, 2020

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>DOLLAR VARIANCE</u>	<u>PERCENTAGE VARIANCE</u>
<u>REVENUES</u>				
Contributions	\$46,035,767	\$ 45,589,320	\$ 446,447	1.0%
Other Income	<u>741,623</u>	<u>305,000</u>	<u>436,623</u>	<u>143.1%</u>
Total Revenues	\$46,777,390	\$ 45,894,320	\$ 883,070	1.9%
<u>EXPENSES</u>				
Provision for Claims				
And Claim Adjustment	\$36,730,920	\$ 38,205,500	\$ (1,474,580)	-3.9%
Insurance Premiums	3,408,471	3,374,370	34,101	1.0%
Contract Services	2,485,611	2,591,715	(106,104)	-4.1%
General and Administrative	<u>1,586,735</u>	<u>1,260,300</u>	<u>326,435</u>	<u>25.9%</u>
Total Expenses	<u>44,211,737</u>	<u>45,431,885</u>	<u>(1,220,148)</u>	<u>-2.7%</u>
Change in net position	<u>\$ 2,565,653</u>	<u>\$ 462,435</u>	<u>\$ 2,103,218</u>	<u>454.8%</u>

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

The increase in budget to actual 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 budget to actual Provision for Claims and Claim Adjustment expense is due to the COVID pandemic causing a decrease in utilization of dental and vision benefits and to settling liability claims at a better than anticipated amount.

The decrease in budget to actual Contract Services is due to the COVID pandemic causing a decrease in utilization of dental and vision benefits, which in turn decreased the third-party administration fees that are based on a percentage of claims in the dental and vision programs.

The increase in budget to actual General and Administrative is due to increase in unforeseen legal fees, an adjustment to future pension costs, and the addition of depreciation on the new building.

TRI-COUNTY SCHOOLS INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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 to 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.

FINANCIAL STATEMENTS

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 24,149,670	\$ 20,567,828
Receivables (Note 3)	1,689,905	911,112
Vendor deposits	50,000	50,000
Prepaid expenses	<u>308,193</u>	<u>1,338,226</u>
Total current assets	26,197,768	22,867,166
Noncurrent assets:		
Non-depreciable capital assets (Note 4)	506,369	506,369
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>4,458,696</u>	<u>3,844,779</u>
Total assets	31,162,833	27,218,314
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions (Note 6)	193,233	195,350
LIABILITIES		
Current liabilities:		
Accounts payable	238,316	283,923
Claims payable	512,574	483,833
Unearned revenue	16,631	44,283
Current portion of unpaid claims and claim adjustment expenses (Note 5)	<u>6,440,646</u>	<u>5,053,680</u>
Total current liabilities	7,208,167	5,865,719
Noncurrent liabilities:		
Due to member districts, less current portion	44,330	44,330
Net pension liability (Note 6)	809,923	741,937
Unpaid claims and claim adjustment expenses less current portion (Note 5)	<u>1,428,616</u>	<u>1,471,320</u>
Total noncurrent liabilities	<u>2,282,869</u>	<u>2,257,587</u>
Total liabilities	9,491,036	8,123,306
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions (Note 6)	79,963	70,938
NET POSITION		
Net investment in capital assets	4,965,065	4,351,148
Unrestricted	<u>16,820,003</u>	<u>14,868,272</u>
Total net position	<u>\$ 21,785,068</u>	<u>\$ 19,219,420</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Member contributions	\$ 46,035,768	\$ 43,578,342
Expenses		
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 5)	36,730,921	31,150,181
Insurance premiums	3,408,471	2,998,884
Contract services	<u>2,485,613</u>	<u>2,446,297</u>
Total operating expenses	42,625,005	36,595,362
General and administrative expenses	<u>1,586,738</u>	<u>1,476,423</u>
Total expenses	44,211,743	38,071,785
Operating income	1,824,025	5,506,557
Nonoperating revenue:		
Interest	453,455	465,937
Rental income	<u>288,168</u>	<u>156,551</u>
Total nonoperating revenue	741,623	622,488
Change in net position	2,565,648	6,129,045
Net position, beginning of year	<u>19,219,420</u>	<u>13,090,375</u>
Net position, end of year	<u>\$ 21,785,068</u>	<u>\$ 19,219,420</u>

See accompanying notes to financial statements.

TRI-COUNTY SCHOOLS INSURANCE GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received for premium contributions	\$ 45,230,375	\$ 43,661,550
Cash paid for insurance claims	(35,357,918)	(32,780,844)
Cash paid for insurance premiums	(2,378,438)	(2,690,285)
Cash paid to employees, member districts and vendors	<u>(3,925,806)</u>	<u>(3,589,850)</u>
Net cash provided by operating activities	3,568,213	4,600,571
 Cash flows used in capital and related financing activities		
Purchase of capital assets	(726,942)	(3,900,000)
 Cash flows from investing activities		
Interest received	452,403	421,723
Rental income	<u>288,168</u>	<u>156,551</u>
Net cash provided by investing activities	<u>740,571</u>	<u>578,274</u>
 Net increase in cash and cash equivalents	3,581,842	1,278,845
 Cash and cash equivalents, beginning of year	<u>20,567,828</u>	<u>19,288,983</u>
 Cash and cash equivalents, end of year	<u>\$ 24,149,670</u>	<u>\$ 20,567,828</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,824,025	\$ 5,506,557
 Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	113,024	49,027
(Increase) decrease in receivables	(777,741)	609,374
Decrease (increase) in prepaid expenses	1,030,033	(161,865)
Decrease in deferred outflows	2,117	247,629
(Decrease) increase in accounts payable	(45,607)	38,827
(Decrease) in due to member districts	-	(395)
Increase (decrease) in claims payable	28,741	(550,592)
(Decrease) in unearned revenue	(27,652)	(55,702)
Increase (decrease) in net pension liability	67,986	(15,998)
Increase (decrease) in unpaid claims and claims adjustment expenses	1,344,262	(1,080,071)
Increase in deferred inflows	<u>9,025</u>	<u>13,780</u>
 Net cash provided by operating activities	<u>\$ 3,568,213</u>	<u>\$ 4,600,571</u>

See accompanying notes to financial statements.

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

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 five 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 current self-insured retention is \$425,000 of loss and allocated loss adjustment expense per occurrence for liability and \$100,000 for property. Claims administration services are provided by Woodruff Sawyer and Co. 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.

5. *Workers' Compensation* - The Workers' Compensation Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Group retains the first \$750,000 of loss and allocated loss adjustment expense for workers' compensation coverage, amounts in excess of the retained limit are reinsured. 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, and miscellaneous.

(Continued)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 are 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 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 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.

(Continued)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess Insurance: The Group purchases specific occurrence excess insurance from excess or reinsurance providers for the Medical, Property/Casualty and Workers' Compensation programs. For the year ended June 30, 2020, 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 2019-20 and 2018-19 for liability excess insurance from this level up to \$55,000,000 per occurrence. The Group provides the workers' compensation program with a \$750,000 per occurrence retention. Settlements have not exceeded insurance coverage in each of the past two years.

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 received 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 and Workers' Compensation programs were based on excess premiums negotiated in the market place and on actuarial studies 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 2019-20 and 2018-19 in the Property and Casualty program. The stabilization reserve at June 30, 2020 and 2019 was \$7,500,000 for the Medical program. The stabilization reserve at June 30, 2020 and 2019 was \$2,525,932 and \$1,928,276, respectively, for Property and Casualty. Any net position in the Dental, Vision, and Workers' Compensation programs are undesignated.

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.

(Continued)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events: The Group has reviewed all events occurring from June 30, 2020 through March 24, 2021, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

	<u>2020</u>	<u>2019</u>
Cash in Yuba County Treasury	\$ 23,973,823	\$ 20,363,558
Cash on hand and in banks	183,101	222,863
Claims disbursement account	<u>(7,254)</u>	<u>(18,593)</u>
Total cash and cash equivalents	<u>\$ 24,149,670</u>	<u>\$ 20,567,828</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 Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020 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, 2020, the carrying amount of the Group's accounts was \$183,101 and the bank balances were \$76,121, which was fully insured. 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. 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, 2020 and 2019

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investment Interest Rate Risk: The Group has adopted the Yuba County Investment Pool policy which 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, 2020 and 2019, 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 which 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, 2020 and 2019, the Group had no concentration of credit risk.

NOTE 3 – RECEIVABLES

Accounts receivable at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 1,188,829	\$ 497,179
Interest receivable	127,266	126,214
Other receivable	373,810	287,719
	<u>\$ 1,689,905</u>	<u>\$ 911,112</u>

(Continued)

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

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the years ended June 30, 2020 and 2019, is shown below.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Non-depreciable:				
Land	\$ 506,369	\$ -	\$ -	\$ 506,369
Depreciable:				
Building	3,961,594	653,578	-	4,615,172
Equipment	74,218	73,364	-	147,582
Software	<u>58,598</u>	<u>-</u>	<u>-</u>	<u>58,598</u>
Totals, at cost	4,600,779	726,942	-	5,327,721
Less accumulated depreciation:				
Building	(116,815)	(107,167)	-	(223,982)
Equipment	(74,218)	(5,858)	-	(80,076)
Software	<u>(58,598)</u>	<u>-</u>	<u>-</u>	<u>(58,598)</u>
Total accumulated depreciation	<u>(249,631)</u>	<u>(113,025)</u>	<u>-</u>	<u>(362,656)</u>
Furniture and equipment, net	<u>\$ 4,351,148</u>	<u>\$ 613,917</u>	<u>\$ -</u>	<u>\$ 4,965,065</u>
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
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>

(Continued)

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

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, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ 6,525,000	\$ 7,605,071	\$ 7,778,000
Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	40,366,842	34,889,306	35,031,237
Change in provision for covered events of prior years	<u>(3,635,921)</u>	<u>(3,739,125)</u>	<u>(1,313,156)</u>
Total incurred claims and claim adjustment expenses	36,730,921	31,150,181	33,718,081
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	33,233,125	30,125,582	28,789,737
Claims and claim adjustment expenses attributable to covered events of prior years	<u>2,153,534</u>	<u>2,104,670</u>	<u>5,101,273</u>
Total payments	<u>35,386,659</u>	<u>32,230,252</u>	<u>33,891,010</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 7,869,262</u>	<u>\$ 6,525,000</u>	<u>\$ 7,605,071</u>

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.

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

	<u>2020</u>	<u>2019</u>
Claims incurred, but not reported (IBNR)	\$ 6,208,360	\$ 5,187,307
Unallocated loss adjustment expenses (ULAE)	673,564	567,000
Accrued claims reserves	<u>987,338</u>	<u>770,693</u>
Total unpaid claims and claim adjustment expenses	7,869,262	6,525,000
Current portion	<u>(6,440,646)</u>	<u>(5,053,680)</u>
Non-current portion	<u>\$ 1,428,616</u>	<u>\$ 1,471,320</u>

(Continued)

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

NOTE 6 – NET PENSION LIABILITY

Plan Description: The Group contributes to the Miscellaneous 2.7% at 55 Risk Pool Plan and a 2% at 62 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/page/forms-publications/annual-performance-report-2019-20>.

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, 2020 were as follows:

Members – The member contribution rate for classic was 8% of applicable member earnings for fiscal years 2019-20 and 2018-19. The member contribution rate of California Public Employees' Pension Reform Act (PEPRA) was 6.75% and 6.25% for fiscal years 2019 – 2020 and 2018 – 2019, respectively.

Employers – The employer contribution rate for classic was 13.182% and 12.212% of applicable member earnings, for fiscal years 2019-20 and 2018-19, respectively. The employer contribution rate of PEPRA was 6.985% and 6.842% for fiscal years 2019 – 2020 and 2018 – 2019, respectively.

The Group's contributions to CalPERS for the fiscal years ending June 30, 2020 and 2019 were \$78,518 and \$66,592, respectively, and equal 100% of the required contributions for each year.

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

At June 30, 2020, the Group reported a liability of \$809,923 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Group's proportion of the net pension liability was based on 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, 2020 and 2019

NOTE 6 – NET PENSION LIABILITY (Continued)

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.

At June 30, 2020, the Group's proportion was 0.020%, which was an increase of 0.001% from its proportion measured as of June 30, 2019. At June 30, 2019, the Group's proportion was 0.019%, which was the same percent as its proportion measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Group recognized pension expense of \$157,646 and \$245,412 respectively. At June 30, 2020, 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	\$ 56,253	\$ 4,358
Change of assumptions	38,621	13,691
Net differences between projected and actual earnings on investments	-	14,160
Changes in proportion and differences between Group contributions and proportionate share of contributions	19,840	47,754
Contributions made subsequent to measurement date	<u>78,519</u>	<u>-</u>
Total	<u>\$ 193,233</u>	<u>\$ 79,963</u>

(Continued)

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

NOTE 6 – NET PENSION LIABILITY (Continued)

At June 30, 2019, 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	\$ 28,467	\$ 9,687
Change 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>

At June 30, 2020, \$78,519 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended <u>June 30,</u>		
2021	\$	44,983
2022	\$	(15,740)
2023	\$	2,647
2024	\$	2,861

(Continued)

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

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	1997 to 2015
Actuarial Cost Method	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 probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. For more details on this table, please refer to the 2015 experience study report.

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

The 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, 2020 and 2019

NOTE 6 – NET PENSION LIABILITY (Continued)

Discount rate: At June 30, 2020 and 2019, the discount rate used to measure the total pension liability was 7.15%. 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, 2020 and 2019, the following presents the JPA's proportionate share of the net pension liability calculated using the discount rate of 7.15% 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:

	June 30, 2020		
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Group's proportionate share of the net pension liability	<u>\$ 1,255,248</u>	<u>\$ 809,923</u>	<u>\$ 442,339</u>
	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>

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, 2020 and 2019

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) through June 30, 2019 and continuing with 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 SELF for the year ended June 30, 2020:

	<u>SELF</u>
Total assets	\$ 174,621,313
Deferred outflow of resources	\$ 312,483
Total liabilities	\$ 141,193,559
Deferred inflow of resources	\$ 64,325
Total net position	\$ 33,675,912
Total revenues	\$ 77,945,029
Total expenses	\$ 64,133,389
Change in net position	\$ 13,811,640

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
For the Years Ended June 30, 2020 and 2019

	<u>Property and Casualty</u>		<u>Medical Benefits</u>		<u>Dental Benefits</u>		<u>Vision Benefits</u>		<u>Workers'</u>	<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>Compensation</u>	<u>2020</u>	<u>2019</u>
Unpaid claims and claim adjustment expenses, beginning 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
Incurred claims and claim adjustment expenses:											
Provision for covered events of the current year	483,000	576,414	35,959,823	31,112,059	2,314,765	2,729,491	435,479	471,342	1,173,775	40,366,842	34,889,306
Change in provision for covered events of prior years	(632,483)	215,795	(2,802,358)	(3,726,043)	(163,035)	(206,500)	(38,045)	(22,377)	-	(3,635,921)	(3,739,125)
Total incurred claims and claim adjustment expenses	(149,483)	792,209	33,157,465	27,386,016	2,151,730	2,522,991	397,434	448,965	1,173,775	36,730,921	31,150,181
Payments:											
Claims and claim adjustment expenses attributable to covered events of the current year	76,457	141,690	30,424,823	26,985,059	2,150,765	2,565,491	397,479	433,342	183,601	33,233,125	30,125,582
Claims and claim adjustment expenses attributable to covered events of prior years	827,972	719,090	1,324,642	1,368,957	965	-	(45)	16,623	-	2,153,534	2,104,670
Total payments	904,429	860,780	31,749,465	28,354,016	2,151,730	2,565,491	397,434	449,965	183,601	35,386,659	32,230,252
Total unpaid claims and claim adjustment expenses, end of year	\$ 1,142,088	\$ 2,196,000	\$ 5,535,000	\$ 4,127,000	\$ 164,000	\$ 164,000	\$ 38,000	\$ 38,000	\$ 990,174	\$ 7,869,262	\$ 6,525,000
Claims incurred, but not reported (IBNR)	\$ 632,599	\$ 1,391,307	\$ 5,014,000	\$ 3,639,000	\$ 134,000	\$ 134,000	\$ 23,000	\$ 23,000	\$ 404,761	\$ 6,208,360	\$ 5,187,307
Unallocated loss adjustment expenses (ULAE)	75,564	34,000	521,000	488,000	30,000	30,000	15,000	15,000	32,000	673,564	567,000
Accrued claims reserves	433,925	770,693	-	-	-	-	-	-	553,413	987,338	770,693
Total unpaid claims and claim adjustment expenses	\$ 1,142,088	\$ 2,196,000	\$ 5,535,000	\$ 4,127,000	\$ 164,000	\$ 164,000	\$ 38,000	\$ 38,000	\$ 990,174	\$ 7,869,262	\$ 6,525,000

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

The tables that follow illustrate how the Group's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Group as of the end of each of the 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 re-estimated 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 re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) Compares the latest re-estimated 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 re-estimated 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, 2020

	Fiscal and Policy Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contributions and investment revenue:										
Earned	\$ 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	\$ 1,721,184
Ceded	(1,010,207)	(1,052,946)	(933,911)	(994,541)	(1,017,605)	(1,038,572)	(945,037)	(1,125,526)	(819,080)	(1,005,477)
Net earned	629,971	603,713	717,498	658,303	676,243	694,867	1,119,953	1,141,006	734,186	715,707
2. Unallocated expenses	65,331	82,494	57,721	191,421	82,502	49,412	207,100	246,493	241,305	251,248
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	688,243	580,373	705,659	795,597	828,092	898,555	1,318,499	1,025,001	576,414	483,000
Ceded	-	-	-	-	-	-	-	-	-	-
Net	688,243	580,373	705,659	795,597	828,092	898,555	1,318,499	1,025,001	576,414	483,000
4. Paid (cumulative) as of:										
End of year	247,840	141,845	263,647	233,971	217,164	283,089	197,320	124,001	141,690	76,457
One year later	387,272	182,068	579,097	447,436	254,418	356,699	434,529	193,132	160,610	
Two years later	465,042	297,706	752,692	514,895	342,097	647,196	835,541	707,774		
Three years later	482,395	515,914	937,112	766,458	368,215	741,264	914,117			
Four years later	639,383	601,811	1,175,392	701,811	535,089	758,465				
Five years later	639,383	569,068	1,192,704	701,811	557,424					
Six years later	639,038	236,408	1,192,704	765,620						
Seven years later	638,218	236,408	1,269,907							
Eight years later	638,218	640,365								
Nine years later	627,368									
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated net incurred claims and expenses:										
End of year	688,243	580,373	705,659	795,597	828,092	898,555	1,318,499	1,025,001	576,414	483,000
One year later	677,509	598,099	1,100,812	1,133,801	760,897	869,578	1,302,928	971,109	419,000	
Two years later	684,658	548,867	1,323,944	792,409	761,526	713,056	1,129,836	947,359		
Three years later	773,679	652,686	1,345,308	789,012	482,519	757,811	982,461			
Four years later	694,770	625,129	1,490,371	786,620	652,285	774,516				
Five years later	694,301	630,902	1,490,891	764,216	635,034					
Six years later	640,383	569,068	1,268,981	765,620						
Seven years later	641,026	575,551	1,269,907							
Eight years later	627,368	640,365								
Nine years later	627,368									
7. (Decrease) increase in estimated incurred claims expenses from end of policy year	\$ (60,875)	\$ 59,992	\$ 564,248	\$ (29,977)	\$ (193,058)	\$ (124,039)	\$ (336,038)	\$ (77,642)	\$ (157,414)	\$ -

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
MEDICAL BENEFITS
June 30, 2020

	Fiscal and Policy Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contributions and investment revenue:										
Earned	\$ 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	\$ 39,223,469
Ceded	(1,831,707)	(2,314,859)	(2,456,284)	(2,639,431)	(2,971,772)	(2,082,997)	(2,120,700)	(2,486,721)	(2,179,804)	(2,302,994)
Net earned	47,641,443	50,959,851	50,337,024	52,684,696	56,680,625	44,178,126	35,266,051	35,752,725	36,488,796	36,920,475
2. Unallocated expenses	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	3,287,055
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	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	36,626,815
Ceded	(1,544,212)	(1,006,661)	(1,387,854)	(1,008,672)	(744,718)	(1,262,933)	(1,114,212)	(687,949)	(615,622)	(666,992)
Net	46,945,961	50,942,351	50,030,768	56,541,026	54,966,331	38,427,706	30,369,645	30,772,208	31,112,059	35,959,823
4. Paid (cumulative) as of:										
End of year	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	30,424,823
One year later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398	30,960,063	30,348,564	28,174,958	
Two years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398	30,960,063	30,348,564		
Three years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398	30,960,063			
Four years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398				
Five years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652					
Six years later	43,077,794	49,102,341	49,901,703	53,296,814						
Seven years later	43,077,794	49,102,341	49,901,703							
Eight years later	43,077,794	49,102,341								
Nine years later	43,077,794									
5. Reestimated ceded claims and expenses	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	666,992
6. Reestimated net incurred claims and expenses:										
End of year	46,945,961	50,942,351	50,030,768	56,541,026	54,966,331	38,427,706	30,369,645	30,772,208	31,112,059	35,959,823
One year later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398	30,960,063	30,348,564	28,174,958	
Two years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398	30,960,063	30,348,564		
Three years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398	30,960,063			
Four years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652	36,665,398				
Five years later	43,077,794	49,102,341	49,901,703	53,296,814	53,964,652					
Six years later	43,077,794	49,102,341	49,901,703	53,296,814						
Seven years later	43,077,794	49,102,341	49,901,703							
Eight years later	43,077,794	49,102,341								
Nine years later	43,077,794									
7. (Decrease) increase in estimated incurred claims expenses from end of policy year	\$ (3,868,167)	\$ (1,840,010)	\$ (129,065)	\$ (3,244,212)	\$ (1,001,679)	\$ (1,762,308)	\$ 590,418	\$ (423,644)	\$ (2,937,101)	\$ -

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
DENTAL BENEFITS
June 30, 2020

	Fiscal and Policy Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contributions and investment revenue:										
Earned	\$ 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	\$ 3,222,032
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	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	3,222,032
2. Unallocated expenses	280,006	264,277	259,438	252,763	280,445	255,200	214,054	217,367	219,441	184,973
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	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	2,314,765
Ceded	-	-	-	-	-	-	-	-	-	-
Net	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	2,314,765
4. Paid (cumulative) as of:										
End of year	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	2,150,765
One year later	3,453,644	3,337,074	3,436,634	3,416,587	3,381,858	3,283,961	2,574,229	2,550,909	2,565,491	
Two years later	3,453,644	3,337,074	3,436,634	3,416,587	3,381,858	3,283,961	2,574,229	2,550,909		
Three years later	3,453,644	3,337,074	3,436,634	3,416,587	3,381,858	3,283,961	2,574,229			
Four years later	3,453,644	3,337,074	3,436,634	3,416,587	3,381,858	3,283,961				
Five years later	3,453,644	3,337,074	3,436,634	3,416,587	3,381,858					
Six years later	3,453,644	3,337,074	3,436,634	3,416,587						
Seven years later	3,453,644	3,337,074	3,436,634							
Eight years later	3,453,644	3,337,074								
Nine years later	3,453,644									
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated net incurred claims and expenses:										
End of year	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	2,314,765
One year later	3,453,644	3,337,074	3,436,634	3,436,634	3,381,858	3,283,961	2,574,229	2,550,909	2,565,491	
Two years later	3,453,644	3,337,074	3,436,634	3,436,634	3,381,858	3,283,961	2,574,229	2,550,909		
Three years later	3,453,644	3,337,074	3,436,634	3,436,634	3,381,858	3,283,961	2,574,229			
Four years later	3,453,644	3,337,074	3,436,634	3,436,634	3,381,858	3,283,961				
Five years later	3,453,644	3,337,074	3,436,634	3,436,634	3,381,858					
Six years later	3,453,644	3,337,074	3,436,634	3,416,587						
Seven years later	3,453,644	3,337,074	3,436,634							
Eight years later	3,453,644	3,337,074								
Nine years later	3,453,644									
7. (Decrease) increase in estimated incurred claims expenses from end of policy year	\$ (265,518)	\$ (269,631)	\$ (290,850)	\$ (155,411)	\$ (91,132)	\$ (96,629)	\$ (47,771)	\$ (201,063)	\$ (164,000)	\$ -

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
VISION BENEFITS
June 30, 2020

	Fiscal and Policy Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required contributions and investment revenue:										
Earned	\$ 734,336	\$ 721,166	\$ 719,691	\$ 776,361	\$ 777,723	\$ 758,361	\$ 640,353	\$ 666,184	\$ 692,544	\$ 714,110
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	734,336	721,166	719,691	776,361	777,723	758,361	640,353	666,184	692,544	714,110
2. Unallocated expenses	93,266	95,331	98,065	99,154	101,896	98,090	80,978	88,115	101,576	120,668
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	638,847	668,326	676,058	656,660	617,894	607,177	445,301	482,056	471,342	435,479
Ceded	-	-	-	-	-	-	-	-	-	-
Net	638,847	668,326	676,058	656,660	617,894	607,177	445,301	482,056	471,342	435,479
4. Paid (cumulative) as of:										
End of year	581,997	609,270	616,630	598,923	577,894	567,177	415,804	443,056	433,342	397,479
One year later	606,811	631,062	636,706	626,194	596,495	588,833	437,460	432,694	433,342	
Two years later	606,811	631,062	636,706	626,194	596,495	588,833	437,460	432,694		
Three years later	606,811	631,062	636,706	626,194	596,495	588,833	437,460			
Four years later	606,811	631,062	636,706	626,194	596,495	588,833				
Five years later	606,811	631,062	636,706	626,194	596,495					
Six years later	606,811	631,062	636,706	626,194						
Seven years later	606,811	631,062	636,706							
Eight years later	606,811	631,062								
Nine years later	606,811									
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated net incurred claims and expenses:										
End of year	638,847	668,326	676,058	656,660	617,894	607,177	445,301	482,056	471,342	435,479
One year later	606,811	631,062	636,706	626,194	596,495	588,833	437,460	432,694	433,342	
Two years later	606,811	631,062	636,706	626,194	596,495	588,833	437,460	432,694		
Three years later	606,811	631,062	636,706	626,194	596,495	588,833	437,460			
Four years later	606,811	631,062	636,706	626,194	596,495	588,833				
Five years later	606,811	631,062	636,706	626,194	596,495					
Six years later	606,811	631,062	636,706	626,194						
Seven years later	606,811	631,062	636,706							
Eight years later	606,811	631,062								
Nine years later	606,811									
7. (Decrease) increase in estimated incurred claims expenses from end of policy year	\$ (32,036)	\$ (37,264)	\$ (39,352)	\$ (30,466)	\$ (21,399)	\$ (18,344)	\$ (7,841)	\$ (49,362)	\$ (38,000)	\$ -

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION
June 30, 2020

	Fiscal and Policy Year Ended June 30,
	<u>2020</u>
1. Required contributions and investment revenue:	
Earned	\$ 1,608,426
Ceded	<u>(100,000)</u>
Net earned	1,508,426
2. Unallocated expenses	228,407
3. Estimated incurred claims and expenses, end of policy year:	
Incurred	1,173,775
Ceded	<u>-</u>
Net	1,173,775
4. Paid (cumulative) as of:	
End of year	183,601
5. Reestimated ceded claims and expenses	-
6. Reestimated net incurred claims and expenses:	
End of year	1,173,775
7. (Decrease) increase in estimated incurred claims expenses from end of policy year	<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, 2020 and 2019

Public Employer's Retirement Fund
 Last 5 Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
The Group's proportion of the net pension liability	0.018%	0.017%	0.019%	0.019%	0.020%
The Group's proportionate share of the net pension liability	\$ 494,235	\$ 580,486	\$ 757,935	\$ 741,937	\$ 809,923
The Group's covered payroll	\$ 415,000	\$ 318,000	\$ 282,000	\$ 264,000	\$ 277,000
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%	292.39%
Plan fiduciary net position as a percentage of the total pension liability	79.89%	78.30%	75.39%	76.28%	72.64%

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, 2020 and 2019

Public Employer's Retirement Fund

Last 5 Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 57,338	\$ 54,758	\$ 64,969	\$ 66,592	\$ 78,518
Contributions in relation to the contractually required contribution	<u>(57,338)</u>	<u>(54,758)</u>	<u>(64,969)</u>	<u>(66,592)</u>	<u>(78,518)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Group's covered payroll	\$ 318,000	\$ 282,000	\$ 264,000	\$ 277,000	\$ 287,000
Contributions as a percentage of covered payroll	18.03%	19.42%	24.61%	24.04%	27.36%

All years prior to 2016 are not available.

TRI-COUNTY SCHOOLS INSURANCE GROUP
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2020 and 2019

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% 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, 2020

	Property and Casualty	Medical	Dental	Vision	Worker's Compensation	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,702,918	\$ 16,664,427	\$ 1,986,678	\$ 901,858	\$ 893,789	\$ 24,149,670
Receivables	20,580	1,526,071	68,511	16,967	57,776	1,689,905
Vendor deposits	-	50,000	-	-	-	50,000
Prepaid expenses	45	152,271	45	27	155,805	308,193
Total current assets	<u>3,723,543</u>	<u>18,392,769</u>	<u>2,055,234</u>	<u>918,852</u>	<u>1,107,370</u>	<u>26,197,768</u>
Property and equipment, net	<u>246,540</u>	<u>4,324,060</u>	<u>246,541</u>	<u>147,924</u>	<u>-</u>	<u>4,965,065</u>
Total assets	<u>3,970,083</u>	<u>22,716,829</u>	<u>2,301,775</u>	<u>1,066,776</u>	<u>1,107,370</u>	<u>31,162,833</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources - pensions	11,594	161,253	11,594	7,729	1,063	193,233
LIABILITIES						
Current liabilities:						
Accounts payable	13,599	213,070	4,819	2,892	3,936	238,316
Claims payable	-	478,932	-	33,642	-	512,574
Unearned revenue	126	13,057	179	88	3,181	16,631
Current portion of unpaid claims and claim adjustment expenses	<u>376,889</u>	<u>5,535,000</u>	<u>164,000</u>	<u>38,000</u>	<u>326,757</u>	<u>6,440,646</u>
Total current liabilities	390,614	6,240,059	168,998	74,622	333,874	7,208,167
Due to member districts	-	37,529	5,437	1,364	-	44,330
Net pension liability	48,595	675,881	48,595	32,397	4,455	809,923
Unpaid claims and claim adjustment expenses less current portion	<u>765,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>663,417</u>	<u>1,428,616</u>
Total noncurrent liabilities	<u>813,794</u>	<u>713,410</u>	<u>54,032</u>	<u>33,761</u>	<u>667,872</u>	<u>2,282,869</u>
Total liabilities	1,204,408	6,953,469	223,030	108,383	1,001,746	9,491,036
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - pensions	4,798	66,728	4,798	3,199	440	79,963
NET POSITION						
Net investment in capital assets	246,540	4,324,060	246,541	147,924	-	4,965,065
Unrestricted	<u>2,525,932</u>	<u>11,533,821</u>	<u>1,839,006</u>	<u>815,000</u>	<u>106,244</u>	<u>16,820,003</u>
Total net position	<u>\$ 2,772,472</u>	<u>\$ 15,857,881</u>	<u>\$ 2,085,547</u>	<u>\$ 962,924</u>	<u>\$ 106,244</u>	<u>\$ 21,785,068</u>

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

	<u>Property and Casualty</u>	<u>Medical</u>	<u>Dental</u>	<u>Vision</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating revenue:						
Member contributions	\$ 1,639,365	\$ 38,906,631	\$ 3,193,231	\$ 698,552	\$ 1,597,989	\$ 46,035,768
Expenses						
Operating expenses:						
Provision for claims and claim adjustment expenses	(149,483)	33,157,464	2,151,730	397,435	1,173,775	36,730,921
Insurance premiums	1,005,477	2,302,994	-	-	100,000	3,408,471
Contract services	<u>145,024</u>	<u>2,020,302</u>	<u>102,695</u>	<u>57,783</u>	<u>159,809</u>	<u>2,485,613</u>
Total operating expenses	1,001,018	37,480,760	2,254,425	455,218	1,433,584	42,625,005
General and administrative expenses	<u>106,224</u>	<u>1,266,753</u>	<u>82,278</u>	<u>62,885</u>	<u>68,598</u>	<u>1,586,738</u>
Total expenses	1,107,242	38,747,513	2,336,703	518,103	1,502,182	44,211,743
Operating income	532,123	159,118	856,528	180,449	95,807	1,824,025
Nonoperating revenue:						
Interest	81,821	316,838	28,801	15,558	10,437	453,455
Rental income	<u>14,408</u>	<u>250,707</u>	<u>14,408</u>	<u>8,645</u>	-	<u>288,168</u>
Total nonoperating revenue	96,229	567,545	43,209	24,203	10,437	741,623
Change in net position	628,352	726,663	899,737	204,652	106,244	2,565,648
Net position, beginning 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>
Net position, end of year	<u>\$ 2,772,472</u>	<u>\$ 15,857,881</u>	<u>\$ 2,085,547</u>	<u>\$ 962,924</u>	<u>\$ 106,244</u>	<u>\$ 21,785,068</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 THE *STATE CONTROLLER'S MINIMUM AUDIT REQUIREMENTS FOR CALIFORNIA SPECIAL DISTRICTS AND 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, 2020, 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 March 24, 2021.

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

Simsbury, Connecticut
March 24, 2021