SCHOOLS EXCESS LIABILITY FUND

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR’S REPORT

YEARS ENDED JUNE 30, 2019 AND 2018

SCHOOLS EXCESS LIABILITY FUND

TABLE OF CONTENTS
JUNE 30, 2019 AND 2018

GILBERT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members
Schools Excess Liability Fund
Sacramento, California

We have audited the accompanying financial statements of Schools Excess Liability Fund (SELF) as of June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise SELF'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 and the State Controller's *Minimum Audit Requirements for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SELF as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise SELF's basic financial statements. The additional information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information section is fairly stated, in all material respects, in relation to the basic 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 December 2, 2019, on our consideration of SELF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts 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 SELF's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

December 2, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

Schools Excess Liability Fund
Management's Discussion and Analysis
Fiscal Year 2018/2019

Schools Excess Liability Fund (SELF) was established March 1, 1986 by a Joint Powers Agreement to provide mutual risk pooling for public educational agencies in California. Under such an agreement, two or more public agencies may jointly exercise any power common to the contracting parties. SELF has two programs, the Excess Liability (XL) Program, with coverage from 1989 through today, and the Excess Workers' Compensation (XCW) Program, with coverage on claims incurred between July 1, 1989 and June 30, 2010.

SELF is a public agency which exists to serve our members and the students they represent. For financial reporting purposes, SELF operates as a special-purpose government engaged in business type activities. SELF is governed by an elected Board of Directors and alternates from six K-12 regions across California, two community college regions, and two ex-officio members representing the Department of Education and the Chancellor of Community Colleges Office. The Board of Directors elects a Chair, Vice Chair, Secretary, and Comptroller for a two-year term from the members of the Board of Directors. SELF also has an Executive Committee comprised of SELF Board Officers, including the Past Chair, and the Chairs of dedicated committees for Finance, Member Services & Communications, Liability Claims & Coverage, and Workers' Compensation Claims & Coverage. The Board of Directors is responsible for the ongoing operations of SELF and is empowered to implement and enforce all provisions of the Joint Powers Agreement, the SELF Bylaws, and all approved policies and procedures.

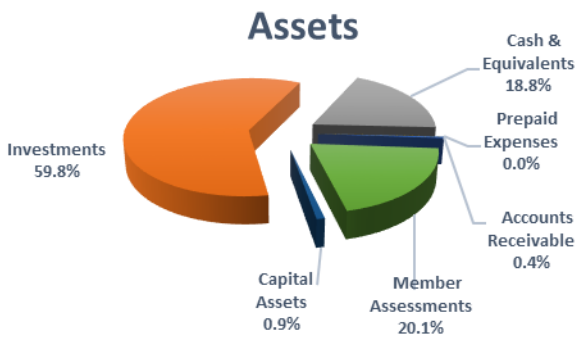
Mission Statement
SELF is a member-owned, statewide partnership of public educational agencies providing quality pooled programs for excess coverage that benefit our students.

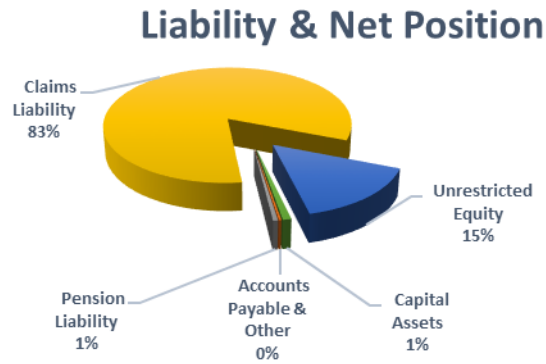
Overview of the Financial Statements
This financial annual report consists of three parts: management's discussion and analysis; basic financial statements, and supplementary information.

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, and Statement of Cash Flows, for the combined operations of SELF for the fiscal years ended June 30, 2019 and 2018. The notes to the basic financial statements are an integral part of the basic financial statements and provide details on SELF membership, accounting policies, claims liabilities, and other information in the statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements and other supplementary information such as combining financial statements for the fiscal year ended June 30, 2019 and 2018.

Schools Excess Liability Fund
Management's Discussion and Analysis
Fiscal Year 2018/2019





Financial Highlights – Statement of Net Position:

The Statement of Net Position shows the balances in assets, deferred outflows of resources, liabilities, and deferred inflows of resources, by program separated by current, long-term, and capital assets. Investments, cash and cash equivalents account for 79% of all assets. Total investments, cash & cash equivalents have increased 12%. The other major asset is Member Assessments, which represents the remaining years of a ten year fixed assessment plan to fund Excess Workers' Compensation claims from July 1, 1989 through June 30, 2010, with the current portion due in 2019/2020. SELF, like most self-insured workers' compensation pools, has had to assess members, due to the continuing increases in indemnity expenses over the original estimates going back to the program's inception in 1989.

The majority of assets are held to fund the claims liabilities, which account for 99% of all liabilities. Total claims liabilities have increased 3% from June 30, 2018. As of June 30, 2019, 11% of all claims liabilities were current, or expected to be due within one year, while the majority is non-current; this is expected due to the extended nature of excess risk pooling.

SELF currently owns a building located at 1531 I Street, in downtown Sacramento, CA, which represents 1% of all assets. SELF has no long-term debt other than the reserved claims liabilities, claims administration expenses, and the net pension obligation, recorded in compliance with GASB 68, based on the CalPERS Accounting Valuation Report, which is updated annually.

Schools Excess Liability Fund
Statement of Net Position
For the Years Ended June 30, 2019, June 30, 2018, and June 30, 2017

	Totals						
	XL	**XWC**	**Building**	**Eliminations**	**2018/2019**	**2017/2018**	**2016/2017**
ASSETS							
Current Assets	$ 13,010	$ 17,643	$ 681	$ -215	$ 31,119	$ 23,409	$ 16,388
Non-current Assets	18,094	70,962		0	89,057	94,022	108,458
Capital Assets	10	5	1,133	0	1,148	1,261	1,381
Total Assets	31,114	88,610	1,814	-215	121,324	118,692	126,227
Deferred Outflows of Resources	301	122	0	0	423	498	353
LIABILITIES							
Current Liabilities	7,033	4,785	28	-215	11,630	12,049	9,189
Long-term Liabilities	28,995	61,226	0	0	90,221	89,016	94,915
Total Liabilities	36,028	66,010	28	-215	101,851	101,065	104,103
Deferred Inflows of Resources	9	23	0	0	31	28	48
NET POSITION							
Invested in Capital Assets	10	4	1,133	0	1,147	1,261	1,381
Undesignated	-4,631	22,695	653	0	18,717	16,836	21,048
Total Net Position	$ -4,621	$ 22,699	$ 1,786	$ 0	$ 19,864	$ 18,097	$ 22,429

*Please note, amounts in thousands, may not foot and/or may vary from audited financial statements due to rounding.

Schools Excess Liability Fund
Management's Discussion and Analysis
Fiscal Year 2018/2019

Financial Highlights – Statement of Revenues, Expenses & Change in Net Position:

The Statement of Revenues, Expenses & Change in Net Position shows the activity of SELF from July 1, 2018 through June 30, 2019 for the Excess Liability Program (XL), Excess Workers' Compensation Program (XWC), and Building Fund, and a comparison with the prior fiscal year's audited financial statements. There are four basic parts to this statement: Operating revenues, Program expenses, General and Administrative expenses, and Non-operating revenues and expenses.

Operating revenue includes the contributions by SELF's members for financing pool-funding requirements and Member Assessments. Excess Liability contributions increased 40% from the prior year. There have been no additional Member Assessments or adjustments since 2014/2015. Rental income for the Building Fund is recorded under Non-operating revenues.

Program expenses are expenses directly related to the program's main function, such as claims indemnity, claim expenses, and reinsurance or excess insurance, accounting for 88% of all expenditures, these were 23% higher than the prior year as claims expenses and reinsurance premiums increased about $4 million higher; partially caused by earlier and more conservative claims reserving practices implemented during the year. While member contributions and reinsurance expense are for the fiscal year ending June 30, 2019, the claims and claims adjustment expenses were predominantly for new claim reserves and payments on claims from prior fiscal years.

General and Administrative expenses are costs to manage and maintain each program, including in-house claims management, and indirect costs, such as actuarial reports, claims audits, and audit fees, which are required by law. General and Administrative expenses were 12% of total expense and increased 21% from the prior fiscal year.

Non-operating revenues and expenses are income and/or costs not directly related to the operation of the programs, including rental and investment income or loss. They are reported in a separate section to comply with GASB 34, allowing financial statement users to see the true operating income or loss before any additional or non-typical items are included. SELF receives rental income from tenants at our property at 1531 I Street, Sacramento, CA and investment income on retained equity in both the Excess Liability and Excess Workers' Compensation Programs. Net Investment Income, which includes interest received and changes in the market value of investments, realized a net gain for the fiscal year as the authority changed its investment strategy and investment horizons.

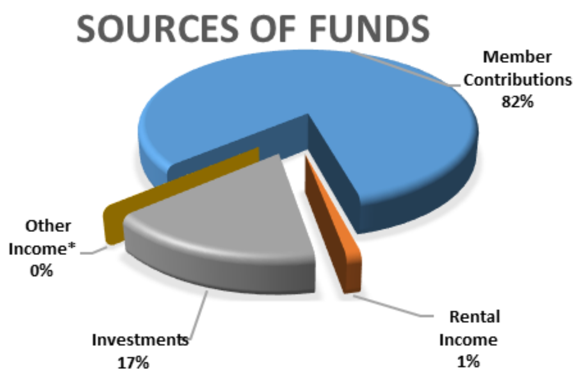
Schools Excess Liability Fund
Statement of Revenues, Expenses & Change in Net Position
For the Years Ended June 30, 2019, June 30, 2018, and June 30, 2017

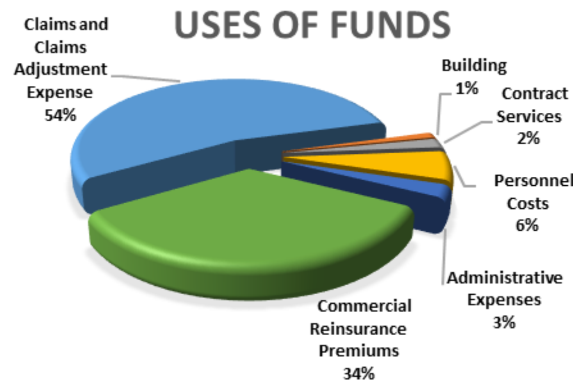
	Totals					
	XL	**XWC**	**Building**	**2018/2019**	**2017/2018**	**2016/2017**
Operating Revenue:						
Premiums / Contributions	$ 21,097	$ 0	$ 0	$ 21,097	$ 15,074	$ 14,352
Member Assessments		0	0			
Total Operating Revenues	21,097	0	0	21,097	15,074	14,352
Program Expenses:						
Provision for Claims & Claims Adj.	14,048	-1,087	0	12,961	9,286	2,987
Commercial Reinsurance Premiums	8,247		0	8,247	7,899	8,221
Total Program Expenses	22,295	-1,087	0	21,208	17,185	11,207
General & Administrative Expense	1,876	594	290	2,760	2,287	2,145
Total Operating Expenses	24,171	-493	290	23,968	19,471	13,353
Operating Income (Loss)	-3,074	493	-290	-2,871	-4,397	999
Non-Operating Income / Expense:						
Rental Income	0	0	304	304	285	277
Interest Income	1,362	2,957	12	4,331	-229	-394
Other Income	1	0	3	4	9	12
Total Non-operating Rev. (Exp.)	1,363	2,957	319	4,639	66	-105
Change in Net Position	$ -1,711	$ 3,450	$ 28	$ 1,767	$ -4,332	$ 894
Net Position, Beginning Balance	$ -2,910	$ 19,249	$ 1,758	$ 18,097	$ 22,429	$ 21,535
Net Position, Ending Balance	$ -4,621	$ 22,699	$ 1,786	$ 19,864	$ 18,097	$ 22,429

*Please note, amounts in thousands, may not foot and/or may vary from audited financial statements due to rounding. Building Income and Expenses are recorded at gross amounts, whereas audited financial statements may net building expenses against income.

Schools Excess Liability Fund
Management's Discussion and Analysis
Fiscal Year 2018/2019

Individual Program Overview:





Excess Liability:

The Schools Excess Liability Fund (SELF) was established with the Excess Liability (XL) Program. In November 1985, a group of concerned school business officials met and formed a steering committee to determine the feasibility of establishing a statewide school excess liability pool. They wanted to combat the growing liability insurance crisis and provide public educational agencies with a stable and broad liability coverage product. SELF began offering excess liability coverage March 1, 1986. In 2018/2019, SELF had 524 active members across the state of California.

In 2018/2019, SELF provided excess liability coverage for clams up to $55 million, after member's attachment according to their retained limits, through a combination of self-insurance and reinsurance. SELF members have retained limits of $1 million or $5 million. Program rates were increased in 2019/20 to continue to address the escalating legal liability and legislative trends statewide.

As of June 30, 2019, the Excess Liability Program has $31.1 million in claim funding, a 13% increase from June 30, 2018. Actual claims paid in 2018/2019 were $7.3 million and reserves increased $9.0 million, while the incurred but not reported decreased $2 million. The program has experienced multiple recent years with unusually high claim frequency and severity which permeated the self-insured layer after years of relatively stable loss development.

Excess Workers' Compensation:

July 1, 1989, SELF launched the Excess Workers' Compensation (XWC) Program, which closed after the June 30, 2010 fiscal year. The program had 50 members during its tenure, with member retentions of $250,000 to $2 million. SELF purchased excess workers' compensation insurance for all policy years, with self-insured retentions of $1 million to $2 million. SELF continues to manage the runoff of workers' compensation claims incurred between July 1, 1989 and June 30, 2010.

As of June 30, 2019, the Excess Workers' Compensation Program has $88.6 million in claim funding, a 0.2% decrease from June 30, 2018. SELF reimbursed members $2.8 million for claims in 2018/2019 and $48.6 million since the program closed in 2010. In 2018/2019, the program realized a decrease in Net Claims and Claims Adjustment Expense for the fourth year of $1.1 million, with a reduction of $3.9 million in combined claims reserves and incurred but not reported (IBNR) claims liability and unallocated loss adjustment expense (ULAE).

Open claims were reduced by 10% from the prior year end. Reductions resulted from closing of 24 cases, including reserve savings due to 7 new compromise and releases, 15 claims closed due to inactivity over the last two years, 3 claimants passed away, and no claims were closed due to reaching the SELF retention cap. This positive trend is a reflection of the efforts SELF has made, in concert with its members, to close open claims and salvage reserves within the XWC Program's layers and to assist members in settling claims prior to piercing these layers.

Non-Operating Revenue:

Rental Income:
SELF owns and manages a building in downtown Sacramento, at 1531 I Street, Sacramento, California. The building was purchased in 1993 with retained equity and is considered an investment of SELF. Approximately 65% of the building is leased to long-term tenants. The balance is used as the SELF office for both the Excess Liability and Excess Workers' Compensation Programs. SELF maintains the building in order to protect and enhance the investment of our members. SELF also has a state of the art conference center, which is available for use at no charge to any of our members.

Investments:
SELF has $95 million in cash and investments, with $72.5 million held in investment accounts, as of June 30, 2019. Approximately 24% was liquid in either bank accounts, the California Asset Management Program or the Local Agency Investment Fund, which are considered liquid. Investments are held in separate investment portfolios for the Excess Liability and Excess Workers' Compensation Programs. Each portfolio is managed based on the cash flow needs of the programs. Excess Workers' Compensation investments are generally invested longer term, due to the extended nature of these claims. Both portfolios are managed to maximize yields over time.

Schools Excess Liability Fund
Management's Discussion and Analysis
Fiscal Year 2018/2019

Budget verses Actual:

SELF's annual budget is reviewed by the Finance Committee and approved by the Board of Directors. Actual amounts for the fiscal year versus the adopted budget are included to show SELF's financial performance in relation to the annual plan for the programs. Revenues were 4% more than the adopted budget and increased 40% from prior year actuals. Total expenses were 50% greater than the adopted budget and 23% greater than the prior year. Total Program Expenses were 60% greater than the adopted budget. Claims and claims adjustment expenses were 40% higher than last year, including the reduction of Net Claims Expense in the Excess Workers' Compensation Program. Reinsurance expenses were 5% higher than the adopted budget, and 4% more than the prior fiscal year. General and Administrative expense was 2% more than the adopted budgeted amount and 21% greater than the prior year. Non-operating revenues, were up a combined $4.5 million over 2018/2019, with Building income slightly higher. Investment income of $4.3 million, including interest and unrealized gains on investments, was the primary increase as compared to a loss realized on investments in the prior year.

Budget vs. Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Amount	Variance Percent
Operating Revenues	$ 20,372	$ 21,097	$ +725	4 %
Program Expenses	-13,292	-21,208	-7,916	-60 %
General & Administrative Expenses	-2,719	-2,760	-41	-2 %
Total Operating Income (Loss)	4,361	-2,871	-7,232	-166 %
Non-operating Revenue (Expense)	1,729	4,639	2,910	168 %
Change in Net Position	$ 6,090	$ 1,767	$ -4,323	-71 %

*Please note, amounts in thousands, may not foot and/or may vary from audited financial statements due to rounding.

Schools Excess Liability Fund
Adopted Budget
For the Years Ended June 30, 2019, June 30, 2018, and June 30, 2017

	XL	XWC	Building	2018/2019	2017/2018	2016/2017
Operating Revenues	$ 20,372	$ 0	$ 0	$ 20,372	$ 15,149	$ 14,141
Program Expenses	-13,292	0	0	-13,292	-13,073	-12,996
General & Administrative Expense	-1,713	-703	-303	-2,719	-2,518	-2,362
Operating Income (Loss)	5,367	-703	-303	4,361	-442	-1,217
Total Non-operating Revenue. (Expense.)	501	924	304	1,729	1,709	1,972
Change in Net Position	$ 5,868	$ 221	$ 1	$ 6,090	$ 1,267	$ 755

Factors Bearing on the Future:

The Schools Excess Liability Fund's fiscal year 2019/2020 Operating Budget includes $25.6 million in Revenue, $20.3 million in program expense, $2.9 million in General and Administrative Expenses, and $2 million in Non-Operating Revenue, for an increase in Net Position of $4.5 million. It was reviewed by the Finance Committee on May 16, 2019 and approved by the Board of Directors on June 21, 2019; it was subsequently revised and approved on September 26, 2019.

Schools Excess Liability Fund
Adopted Budget
For the Years Ended June 30, 2020, June 30, 2019, and June 30, 2018

	XL	XWC	Building	2019/2020	2018/2019	2017/2018
Operating Revenues	$ 25,684	$ 0	$ 0	$ 25,684	$ 20,372	$ 15,149
Program Expenses	-19,980	-400	0	-20,380	-13,292	-13,073
General & Administrative Expense	-1,874	-658	-362	-2,894	-2,719	-2,518
Operating Income (Loss)	3,829	-1,058	-362	2,409	4,361	-442
Total Non-operating Revenue. (Expense.)	690	1,167	198	2,054	1,729	1,709
Change in Net Position	$ 4,519	$ 109	$ -164	$ 4,464	$ 6,090	$ 1,267

FINANCIAL STATEMENTS

SCHOOLS EXCESS LIABILITY FUND

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,752,326	$ 11,948,142
Investments	2,543,806	4,556,226
Accounts receivable:		
Excess insurance recoverable	1,601	63,438
Interest and other	456,979	465,240
Member assessments receivable	5,354,348	6,355,281
Prepaid expenses	10,350	20,807
Total current assets	31,119,410	23,409,134
Noncurrent assets:		
Investments	70,000,227	68,609,635
Member assessments receivable	19,056,840	25,412,121
Capital assets, net	1,147,217	1,261,116
Total noncurrent assets	90,204,284	95,282,872
Total assets	121,323,694	118,692,006
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources related to pensions	423,181	497,939
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	180,440	215,832
Consigned member indemnity payable		1,807,387
Other liabilities	59,703	59,703
Unpaid claims and claim adjustment expenses	11,390,000	9,966,000
Total current liabilities	11,630,143	12,048,922
Noncurrent liabilities:		
Other liabilities	66,667	100,000
Net pension liability	661,064	785,612
Unpaid claims and claim adjustment expenses	89,493,262	88,130,011
Total noncurrent liabilities	90,220,993	89,015,623
Total liabilities	101,851,136	101,064,545
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources related to pensions	31,467	28,087
NET POSITION:		
Net investment in capital assets	1,147,217	1,261,116
Unrestricted	18,717,055	16,836,197
Total net position	$ 19,864,272	$ 18,097,313

See accompanying notes to financial statements.

SCHOOLS EXCESS LIABILITY FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUE:		
Member contributions	$ 21,096,568	$ 15,073,823
OPERATING EXPENSES:		
Provision for unpaid claims and claim adjustment expenses	12,960,895	9,285,875
Commercial reinsurance premiums	8,246,965	7,898,686
Total direct claims expenses	21,207,860	17,184,561
General and administrative expenses:		
Contract services	456,066	394,926
Personnel costs	1,416,901	1,175,838
Administrative expenses	622,121	481,608
Building	141,061	108,781
Depreciation	124,398	125,473
Total general and administrative	2,760,547	2,286,626
Total operating expenses	23,968,407	19,471,187
Operating loss	(2,871,839)	(4,397,364)
NON-OPERATING REVENUES (EXPENSES):		
Rental income	303,946	285,420
Investment income (loss)	4,330,254	(228,642)
Other income	4,598	8,872
Total non-operating revenues	4,638,798	65,650
Change in net position	1,766,959	(4,331,714)
Net position, beginning of year	18,097,313	22,429,027
Net position, end of year	$ 19,864,272	$ 18,097,313

See accompanying notes to financial statements.

SCHOOLS EXCESS LIABILITY FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	$ 28,453,267	$ 21,428,619
Cash received from reinsurance		1,807,387
Cash paid for claims and settlements	(10,111,807)	(14,136,308)
Cash paid for reinsurance premiums	(10,087,685)	(7,898,686)
Cash paid to suppliers for goods and services	(1,187,724)	(1,022,657)
Cash paid for employees services	(1,519,770)	(1,343,396)
Net cash provided (used) by operating activities	5,546,281	(1,165,041)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(10,499)	(5,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities purchased	(34,324,804)	(12,389,924)
Securities sold and matured	37,382,054	14,350,598
Rental income received	308,544	294,292
Interest received	1,902,608	1,401,066
Net cash provided by investing activities	5,268,402	3,656,032
Net increase in cash and cash equivalents	10,804,184	2,485,351
Cash and cash equivalents, beginning of year	11,948,142	9,462,791
Cash and cash equivalents, end of year	$ 22,752,326	$ 11,948,142
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	$ (2,871,839)	$ (4,397,364)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	124,398	125,473
(Increase) decrease in:		
Member contribution and other receivables	485	(485)
Excess insurance receivable	61,837	(63,438)
Member assessments receivable	7,356,214	6,355,281
Prepaid expenses	10,457	18,504
Deferred outflows of resources	74,758	(144,540)
Increase (decrease) in:		
Accounts payable and accrued expenses	(35,392)	(168,482)
Other liabilities	(1,840,720)	1,807,387
Net pension liability	(124,548)	109,229
Deferred inflows of resources	3,380	(19,611)
Unpaid claims and claim adjustment expenses	2,787,251	(4,786,995)
Net cash provided (used) by operating activities	$ 5,546,281	$ (1,165,041)

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Schools Excess Liability Fund (SELF) is a statewide Joint Powers Authority (JPA) established to provide risk pooling for excess liability and excess workers' compensation coverage for educational agencies in California. Effective July 1, 2010, SELF no longer offered an Excess Workers' Compensation Program. SELF will continue to provide administration of this program through the claims run-out period. Participation in SELF is voluntary.

Membership

Under the SELF JPA Agreement, member districts must make a three-year commitment to participate in SELF. Mid-term cancellation or withdrawal is not permitted and members' annual contributions are due at the beginning of the year. As such, all contributions are recognized evenly over the applicable coverage year. Withdrawing districts are not entitled to receive any equity distribution until five years after withdrawal. There were no amounts held for member withdrawal at June 30, 2019 and 2018.

SELF's Excess Liability Program membership currently consist of approximately 680 educational entities including school districts, county offices of education, community college districts, charter schools, regional occupational programs, and education affiliated joint powers authorities.

The Excess Workers' Compensation Program was discontinued by the Board in 2010; however at the height of the program covered payroll was more than $8.9 billion with membership consisting of entire JPAs, individual school districts, and community college districts.

Basis of Accounting

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

Operating revenues include member contributions. Operating expenses include the provision for claims and claims adjustment expenses, insurance premiums, premium rebates, and general and administrative expenses. Non-operating revenues and expenses include investment activities and building income.

Excess Liability Program

Since 1986 SELF has provided excess liability coverage to educational agencies in California.

Policy Years	Member Retentions	SELF Layer
1986-1989	$1M	$1M to $10M
1989-1990	$1M	$1M to $12.5M
1991	$1 M	$1M to $15 M
1992–2006	$1M - $5M	$1M to $15M
2007–2008	$1M - $5M	$1M to $20M
2009	$1M - $5M	$1M to $25M- Fully Insured
2010–2014	$1M - $5M	$1M to $25M
2015–2017	$1M - $5M	$1M to $30M
2018	$1M - $5M	$1M to $55M
2019	$1M - $5M	$1M to $54M

Excess Workers' Compensation Program

On July 1, 1989 SELF added excess workers' compensation coverage. 2010 was the last policy year SELF offered excess workers' compensation coverage.

Policy Years	Member Retentions	SELF Retention
1990–1999	$250K – $2M	$2M
2000–2004	$250K – $1M	$1M
2005	$300K – $1M	$1M
2006–2010	$350K – $1M	$1M

Excess Coverage

SELF enters into excess coverage agreements whereby it cedes various amounts of risk to another entity. Risks ceded are treated as though they are not risks for which SELF is liable.

Cash Equivalents

SELF considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investment in Building and Equipment

Building and equipment are carried at cost. Depreciation is determined using the straight-line method, over the useful lives of the related assets. The useful lives of the building and improvements are estimated to be thirty years. SELF has sixty-five percent of the building available to lease to third parties under noncancelable leases. One suite is leased to a related party (ASCIP, JPA Member).

The useful lives of furniture and equipment are estimated to be five years except computer equipment, which has a three year useful life. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statement of revenues, expenses and change in net position for the period. The cost of maintenance and repairs are charged to expense as incurred.

SELF does not believe there to be any impairment of its capital assets at June 30, 2019 and 2018.

Member Assessment Receivable

SELF's JPA Agreement allows for assessments to address deficit position assets. Assessments are based on a pro rata share of each member's contribution for each policy year assessed. In the event that a member fails to meet their payment schedule, the member shall be charged interest in a manner and amount earned on funds deposited in LAIF, at the time the member is delinquent.

Unpaid Claims and Claim Adjustment Expenses

SELF's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. SELF increases the liability for allocated and unallocated claim adjustment expenses. Because actual claims costs depend on such complex factors as inflation, changes in doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for excess coverages. 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 the claims liabilities has been estimated using an independent actuary's estimate and cash flow projections on current claims.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of SELF's portion of the California Public Employees' Retirement System (CalPERS) Miscellaneous plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to SELF's pension plan(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of SELF's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between SELF's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 6 for further details related to these pension deferred outflows and inflows.

Member Contributions

Member contributions are recognized as revenue when earned based upon the coverage period. To the extent that allocated losses exceed contributions previously paid, interest, and other income, SELF may assess its members.

Commercial Reinsurance Premiums

SELF purchased additional insurance which covers losses greater than the limits of SELF's excess coverage. Such additional insurance coverage was offered to members through an Optional Excess Liability coverage (OEL). The OEL premium was reported as part of Member Contributions.

Income Taxes

SELF is an organization comprised of public agencies and is exempt from federal income and California franchise taxes, accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

Use of Estimates

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

	2019	2018
Cash and cash equivalents:		
Cash on hand and in bank	$ 1,519,973	$ 1,983,770
Money Market	1,502,741	231,798
Local Agency Investment Fund	535,238	9,732,574
California Asset Management Program	19,194,374	
Total cash and cash equivalents	22,752,326	11,948,142
Investments:		
Corporate Notes	20,682,986	18,743,808
U.S. Agency Bonds	8,821,549	8,422,098
U.S. Treasury Notes	38,615,274	38,043,881
Certificates of deposit	2,560,360	6,250,299
Municipal bonds	4,497	226,423
Asset-backed securities / collateralized mortgage obligations	1,859,367	1,479,352
Total investments	72,544,033	73,165,861
Total cash, cash equivalents and investments	$ 95,296,359	$ 85,114,003

Local Agency Investment Fund

SELF is a voluntary participant in LAIF. The enabling legislation for LAIF is California Government Code Section 16429.1 under the oversight of the Local Investment Advisory Board. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001 or online at www.treasurer.ca.gov.

California Asset Management Program

SELF is a voluntary participant in California Asset Management Program (CAMP). CAMP is a California Joint Powers Authority established to provide California public agencies with professional investment services. The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis. The CAMP Pool is a permitted investment for all local agencies under California Government Code Sections 53601(p).

Money Market

SELF has a portion of its cash and cash equivalents in a money market account at a third party custodian. The money market account is not covered by FDIC insurance, but is fully collateralized.

Investment Credit Risk

SELF's investment policy limits investment choices to obligations of the United States Treasury, its agencies and instrumentalities, Federal agency or United States sponsored enterprise obligations, State of California or any local agency within the state, Banker’s Acceptances Commercial short-term paper, corporate medium-term notes, FDIC insured or fully collateralized time certificates of deposit located in California, negotiable certificates of deposit issued by nationally or state-chartered bank, savings, or federal associations, State of California's Local Agency Investment Fund, insured savings or money market accounts, money market funds registered by the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), mortgage securities or obligations, The California Asset Management Program, and Supranationals located within the United States (CA Gov. Code §53651(j)). At June 30, 2019 and 2018, all investments, excluding LAIF and CAMP, were issued, registered and held by SELF's agent in SELF's name.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 Inputs to the valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

U.S. Agency Bonds and U.S. Treasury Notes are valued using quoted market prices (Level 1 Input).

Corporate notes, certificates of deposit, Municipal bonds and asset-backed securities/collateralized mortgage obligations are valued using a matrix pricing model (Level 2 Input).

Custodial Credit Risk

Cash balances held in banks are insured up to $250,000 by the FDIC. Of the bank balances, $2,862,598 were not covered by FDIC insurance, but are fully collateralized.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

The California Government Code and SELF's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2019, the average effective maturity of the investments contained in SELF's pool is approximately 3.14 years.

Information about the sensitivity of the fair values of investments to market interest rate fluctuations is provided by the following table that shows the distribution of SELF's investments by maturity as of June 30, 2019:

		Remaining Maturity (in Months)			
Investment Type	**Fair Value**	**12 Months or Less**	**13 to 24 Months**	**25-60 Months**	**Over 60 Months**
Corporate Notes (Level 2)	$ 20,682,986	$ 139,514	$ 7,824,518	$ 12,718,954	
U.S. Agency Bonds (Level 1)	8,821,549	149,424		7,130,226	$ 1,541,899
U.S. Treasury Notes (Level 1)	38,615,274	1,496,243	5,577,272	19,863,484	11,678,275
Certificates of deposit (Level 2)	2,560,360	750,358	1,810,002		
Municipal bonds (Level 2)	4,497	4,497			
Asset-backed securities (Level 2)	1,859,368	3,770	64,346	1,791,251	
Total	$ 72,544,033	$ 2,543,806	$ 15,276,138	$ 41,503,915	$ 13,220,174

The following table that shows the distribution of SELF's investments by maturity as of June 30, 2018:

		Remaining Maturity (in Months)		
Investment Type	**Fair Value**	**12 Months or Less**	**13 to 24 Months**	**25-60 Months**
Corporate Notes (Level 2)	$ 18,743,808		$ 387,631	$ 18,356,177
U.S. Agency Bonds (Level 1)	8,422,098	$ 123,483	147,465	8,151,150
U.S. Treasury Notes (Level 1)	38,043,881		651,387	37,392,494
Certificates of deposit (Level 2)	6,250,299	4,432,743	993,126	824,430
Municipal bonds (Level 2)	226,423		226,423	
Asset-backed securities (Level 2)	1,479,352		660,981	818,371
Total	$ 73,165,861	$ 4,556,226	$ 3,067,013	$ 65,542,622

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. SELF's investment custodian uses Standard & Poor's (S&P) rating system; SELF's investment management company uses Moody's rating system.

Presented below is the actual rating, as rated by S&P, for each investment type as of June 30, 2019:

		Rating as of Year End			
Investment Type	**Fair Value**	**AAA to AA**	**AA- to A-**	**BBB+***	**Not Rated**
Corporate Notes	$ 20,682,986	$ 4,096,112	$ 14,231,353	$ 2,355,521	
U.S. Agency Bonds	8,821,549	8,821,549			
U.S. Treasury Notes	38,615,274	38,615,274			
Certificates of deposit	2,560,360		971,874		$ 1,588,486
Municipal bonds	4,497				4,497
Asset-backed securities	1,859,367	1,859,367			
Money market	1,502,741				1,502,741
LAIF	535,238				535,238
CAMP	19,194,374				19,194,374
Total	$ 93,776,386	$ 53,392,302	$ 15,203,227	$ 2,355,521	$ 22,825,336

*Rated A3 by Moody's.

Presented below is the actual rating, as rated by S&P, for each investment type as of June 30, 2018:

		Rating as of Year End			
Investment Type	**Fair Value**	**AAA to AA**	**AA- to A-**	**BBB+***	**Not Rated**
Corporate Notes	$ 18,743,808	$ 3,443,694	$ 13,012,525	$ 2,287,589	
U.S. Agency Bonds	8,422,098	8,422,098			
U.S. Treasury Notes	38,043,881	38,043,881			
Certificates of deposit	6,250,299				$ 6,250,299
Municipal bonds	226,423				226,423
Asset-backed securities	1,479,352	1,479,352			
Money market	231,798				231,798
LAIF	9,732,574				9,732,574
Total	$ 83,130,233	$ 51,389,025	$ 13,012,525	$ 2,287,589	$ 16,441,094

*Rated A3 by Moody's.

Concentration of Investment Credit Risk

At June 30, 2019 and 2018, SELF's holdings in Federal National Mortgage Association represented 12% of the portfolio's total invested assets.

3. MEMBER ASSESSMENTS RECEIVABLE

Adverse loss development and increases in the incurred but not reported (IBNR) claims liability resulted in a deficit fund position, for certain policy years, in the Excess Workers' Compensation Program. Although the program has assets for continued operation, the board approved an assessment as provided in SELF's JPA Agreement. Assessments are based on a pro rata share of each member's contributions for each year assessed. The assessment plan provides for collection from members for the ten year period from 2013–14 through 2022–23 with a review of funding status after five years. At June 30, 2019 and 2018, SELF made no allowance for uncollected accounts as management estimated the accounts to be collectable. The assessments receivable at June 30, 2019 and 2018 are as follows:

	2019	2018
Member assessments receivable	$ 24,411,188	$ 31,767,402
Less current portion of member assessments receivable	(5,354,348)	(6,355,281)
Member assessments receivable, non-current	$ 19,056,840	$ 25,412,121

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Disposals	Balance at June 30, 2019
Investment in building	$ 3,180,029	$ 10,499		$ 3,190,528
Equipment	378,688			378,688
Total	3,558,717	10,499		3,569,216
Less accumulated depreciation	(2,297,601)	(124,398)		(2,421,999)
Capital assets - net	$ 1,261,116	$ (113,899)	$	$ 1,147,217

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
Investment in building	$ 3,180,029			$ 3,180,029
Equipment	373,049	$ 5,639		378,688
Total	3,553,078	5,639		3,558,717
Less accumulated depreciation	(2,172,129)	(125,472)		(2,297,601)
Capital assets - net	$ 1,380,949	$ (119,833)	$	$ 1,261,116

5. UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, SELF establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities during the years ended June 30:

	2019	2018
Unpaid losses and loss adjustment expenses, beginning of fiscal year	$ 98,096,011	$ 102,883,006
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current year	7,319,243	5,958,335
Increase in provision for insured events of prior years	5,641,652	3,327,540
Total incurred losses and loss adjustment expenses	12,960,895	9,285,875
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current year		
Losses and loss adjustment expenses attributable to insured events of prior years	10,173,644	14,072,870
Total payments	10,173,644	14,072,870
Total unpaid losses and loss adjustment expenses, end of fiscal year	$ 100,883,262	$ 98,096,011

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

	2019	2018
Reported claims	$ 58,178,262	$ 42,940,730
Claims incurred but not reported (IBNR)	31,937,000	45,913,729
Unallocated loss adjustment expenses (ULAE)	10,768,000	9,241,552
Total unpaid claims and claim adjustment expenses	100,883,262	98,096,011
Unpaid claims and claim adjustment expenses, current	(11,390,000)	(9,966,000)
Unpaid claims and claim adjustment expenses, noncurrent	$ 89,493,262	$ 88,130,011

These liabilities are reported at their present value using an expected future investment yield assumption of 1.75% for the Excess Liability Program and 2.75% Excess Workers' Compensation Program for the years ended June 30, 2019 and 2018. The undiscounted liability at June 30, 2019 and 2018 was $121,269,726 and $120,040,982, respectively.

6. EMPLOYEE RETIREMENT PLAN

Plan Description

SELF provides pension benefits to its employees through the Miscellaneous Risk Pool through its participation in the Public Agency Cost-Sharing Multiple-Employer Plan (the Plan) a defined benefit pension plan maintained by CalPERS, an agency of the State of California. SELF had less than 100 active members as of the June 30, 2013 and 2014 actuarial valuation, as a result, qualified employees are covered under the Miscellaneous 2% at 55 Risk. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time on or after January 1, 2013. Benefit provisions and other requirements are established by State statute.

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, average salary over a specific period, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and have a minimum of five years of CalPERS-credited service. Members after January 1, 2013 must be at least 52. The reduced benefit at these ages are 1.426% and 1% for the Classic and PEPRA plans, respectively.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. SELF is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. SELF's required contribution rate on covered payroll for the measurement period ended June 30, 2018 (the measurement date) was 9.409% and 6.842% of annual pay for Classic and PEPRA employees, respectively, and there was no additional payment required to the unfunded liability. Employer contributions rates may change if plan contracts are amended. SELF makes the contributions required of certain SELF employees on their behalf and for their account. For the year ended June 30, 2019, the employer contributions to the plan were $206,552.

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

SELF's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2018 for the year ended June 30, 2019. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. As of June 30, 2019, SELF's proportionate share of the Plan's NPL was $661,064.

The NPL of the Plan is measured as of June 30, 2017 for the year ended June 30, 2018. The total TPL used to calculate the NPL was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. As of June 30, 2018, SELF's proportionate share of the Plan's NPL was $785,612.

Using SELF's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for SELF by the actuary. SELF's employer NPL allocation factor for the Plan as of June 30, 2018 was as follows:

	Plan
Proportion - June 30, 2018	0.017541%
Proportion - June 30, 2017	0.019929%
Change - increase (decrease)	(0.002388%)

For the years ended June 30, 2019 and 2018, SELF recognized pension expense of $160,142 and $307,759, respectively.

At June 30, 2019, SELF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,364	$ (8,631)
Changes in assumptions	75,363	(18,470)
Net differences between projected and actual investment earnings of pension plan investments	3,268	
Change in proportions		(4,366)
Change in proportionate share of contributions	112,634	
Pension contributions subsequent to measurement date	206,552	
Total	$ 423,181	$ (31,467)

As of June 30, 2019, the $206,552 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2020. As of June 30, 2019, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2020	$ 113,948
2021	80,615
2022	(3,454)
2023	(5,946)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,181	$ (16,916)
Changes in assumptions	146,499	(11,171)
Net differences between projected and actual investment earnings of pension plan investments	33,132	
Change in proportions	36,545	
Change in proportionate share of contributions	43,604	
Pension contributions subsequent to measurement date	236,978	
Total	$ 497,939	$ (28,087)

As of June 30, 2018, the $236,978 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date that was recognized as a reduction of the NPL in the year ending June 30, 2019. As of June 30, 2018, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	$ 64,328
2020	114,190
2021	74,028
2022	(19,672)

Actuarial Assumptions

For the measurement period ended June 30, 2018 (the measurement date), the TPL was determined by rolling forward the June 30, 2017 TPL. The June 30, 2017 and June 30, 2018 TPL were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

[1] The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests 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 PERF C. The crossover test results can be found on CalPERS' website under the GASB 68 section.

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 pension fund cash flows. 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 funds' asset classes, expected compound 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 for each fund. 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.

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

Asset Class[a]	New Strategic Allocation	Real Return Years 1 – 10[b]	Real Return Years 11+[c]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-.92%
Total	100.00%		

[a] In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflations Assets are included in both Global Equity Securities and Global Debt Securities.
[b] An expected inflation of 2.0% was used for this period.
[c] An expected inflation of 2.9% was used for this period.

Sensitivity of SELF's Proportional Share of the NPL to Changes in the Discount Rate

The following presents SELF's Proportional Share of the NPL of the Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 7.15%, as well as what SELF's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
SELF's Proportionate Share of Plan's NPL	$ 1,175,620	$ 661,064	$ 236,305

The following presents SELF's Proportional Share of the NPL of the Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 7.15%, as well as what SELF's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
SELF's Proportionate Share of Plan's NPL	$ 1,224,654	$ 785,612	$ 421,990

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOLS EXCESS LIABILITY FUND

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
EXCESS LIABILITY PROGRAM
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Unpaid claims and claim adjustment expenses at beginning of year	$ 28,529,248	$ 27,002,345
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year	7,319,243	5,958,335
Change in provision for covered events of prior years	6,728,869	5,725,313
Total incurred claims and claim adjustment expenses	14,048,112	11,683,648
Payments:		
Claims and claim adjustment expenses attributable to covered events of current year		
Claims and claim adjustment expenses attributable to covered events of prior years	7,364,566	10,156,745
Total payments	7,364,566	10,156,745
Total unpaid claims and claim adjustment expenses, end of year	$ 35,212,794	$ 28,529,248

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

	2019	2018
Reported claims	$ 15,021,794	$ 5,787,798
Claims incurred but not reported	19,035,000	21,724,701
Unallocated loss adjustment expenses	1,156,000	1,016,749
	$ 35,212,794	$ 28,529,248

SCHOOLS EXCESS LIABILITY FUND

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
EXCESS WORKERS' COMPENSATION PROGRAM
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Unpaid claims and claim adjustment expenses at beginning of year	$ 69,566,763	$ 75,880,661
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year		
Change in provision for covered events of prior years	(1,087,217)	(2,397,773)
Total incurred claims and claim adjustment expenses	(1,087,217)	(2,397,773)
Payments:		
Claims and claim adjustment expenses attributable to covered events of current year		
Claims and claim adjustment expenses attributable to covered events of prior years	2,809,078	3,916,125
Total payments	2,809,078	3,916,125
Total unpaid claims and claim adjustment expenses, end of year	$ 65,670,468	$ 69,566,763

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

	2019	2018
Reported claims	$ 43,156,468	$ 37,152,932
Claims incurred but not reported	12,902,000	24,189,028
Unallocated loss adjustment expenses	9,612,000	8,224,803
	$ 65,670,468	$ 69,566,763

The tables that follow illustrate how the Fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years for the Liability and Workers' Compensation Programs. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned premiums, rate credits, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue allocated to each policy year.

2. Each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.

3. Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called policy year).

4. Cumulative net amounts paid as of the end of successive years for each policy year.

5. Latest reestimated amount of losses assumed by reinsurers for each policy year.

6. Policy year's net incurred claims 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 net incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost are 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.

8. Outstanding unpaid claims and claim adjustment expenses as of June 30, 2019 for each policy year.

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

SCHOOLS EXCESS LIABILITY FUND

CLAIMS DEVELOPMENT INFORMATION
EXCESS LIABILITY PROGRAM
(in thousands)
JUNE 30, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
(1) Premiums Revenue:										
Earned	$ 14,268	$ 11,376	$ 10,817	$ 9,829	$ 9,874	$ 10,294	$ 10,982	$ 14,352	$ 15,074	$ 21,097
Ceded (by policy year)	(10,345)	(7,997)	(8,296)	(6,610)	(6,602)	(7,061)	(7,401)	(8,221)	(7,899)	(8,247)
Cumulative interest earned (by policy year)	293	90	57	57	31	566	820	29	62	1,362
Net earned contribution and investment income	4,216	3,469	2,578	3,276	3,303	3,799	4,401	6,160	7,237	14,211
(2) Unallocated Expenses	$ 1,777	$ 1,406	$ 1,369	$ 1,265	$ 1,473	$ 1,504	$ 1,524	$ 1,371	$ 1,474	$ 1,876
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 4,755	$ 3,732	$ 3,652	$ 5,697	$ 2,740	$ 2,680	$ 5,084	$ 5,844	$ 6,412	$ 7,866
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	4,755	3,732	3,652	5,697	2,740	2,680	5,084	5,844	6,412	7,866
(4) Paid (Cumulative) as of:										
End of Policy Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
One Year Later	-	-	-	-	-	5,000	-	9	-	
Two Years Later	-	4,005	-	2,761	580	8,500	-	1,332		
Three Years Later	-	4,011	-	2,760	844	13,362	6			
Four Years Later	-	4,011	2,600	2,763	6,114	19,362				
Five Years Later	-	9,022	4,604	2,766	6,114					
Six Years Later	-	9,022	4,604	2,766						
Seven Years Later	-	9,011	4,604							
Eight Years Later	-	9,011								
Nine Years Later										
(5) Re-estimated Ceded Losses and Expenses	$ -	$ 5,354	$ -	$ -	$ -	$ 3,778	$ -	$ -	$ -	$ -
(6) Re-estimated incurred claims and expenses:										
End of Policy Year	$ 4,755	$ 3,732	$ 3,652	$ 5,697	$ 2,740	$ 2,680	$ 5,084	$ 5,844	$ 6,412	$ 7,866
One Year Later	3,048	3,043	2,210	4,826	3,645	8,475	4,653	5,580	7,439	
Two Years Later	1,746	5,142	1,244	3,706	9,266	16,686	4,094	17,545		
Three Years Later	721	4,778	5,344	4,173	6,354	22,256	1,960			
Four Years Later	522	9,362	5,942	4,088	7,847	20,632				
Five Years Later	239	9,611	5,468	3,772	6,936					
Six Years Later	534	9,589	5,270	3,292						
Seven Years Later	494	9,513	4,962							
Eight Years Later	483	9,284								
Nine Years Later	260									
(7) Increase (Decrease) in estimated incurred claims and expenses from end of policy year	$ (4,495)	$ 5,552	$ 1,310	$ (2,405)	$ 4,196	$ 17,952	$ (3,124)	$ 11,701	$ 1,027	$ -
(8) Unpaid claims and claim adjustment expenses with ULAE	$ 260	$ 273	$ 358	$ 526	$ 822	$ 1,270	$ 1,954	$ 16,213	$ 7,439	$ 7,866

SCHOOLS EXCESS LIABILITY FUND

CLAIMS DEVELOPMENT INFORMATION
EXCESS WORKERS' COMPENSATION PROGRAM
(in thousands)
JUNE 30, 2019

		2010
(1)	Premiums Revenue:	
	Earned	$ 3,561
	Ceded (by policy year)	(1,685)
	Cumulative interest earned (by policy year)	103
	Net earned	1,979
(2)	Unallocated Expenses	1,095
(3)	Estimated incurred claims and expense, end of policy year:	
	Incurred	2,145
	Ceded	
	Net Incurred	2,145
(4)	Paid (Cumulative) as of:	
	End of Policy Year	
	One Year Later	
	Two Years Later	
	Three Years Later	81
	Four Years Later	96
	Five Years Later	201
	Six Years Later	230
	Seven Years Later	654
	Eight Years Later	246
	Nine Years Later	825
(5)	Re-estimated Ceded Losses and Expenses	
(6)	Re-estimated incurred claims and expense:	
	End of Policy Year	2,145
	One Year Later	2,145
	Two Years Later	3,278
	Three Years Later	2,252
	Four Years Later	2,323
	Five Years Later	1,703
	Six Years Later	3,029
	Seven Years Later	2,553
	Eight Years Later	2,938
	Nine Years Later	3,117
(7)	Increase (decrease) in estimated incurred claims and expense from end of policy year	$ 972
(8)	Unpaid claims and claim adjustment expense with ULAE	$ 2,319

SCHOOLS EXCESS LIABILITY FUND

SCHEDULE OF SELF'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2019 LAST 10 YEARS*

Measurement Date Ended June 30:	**2018**	**2017**	**2016**	**2015**	**2014**
SELF's proportion of the net pension liability	0.01754%	0.01993%	0.01947%	0.01933%	0.02193%
SELF's proportionate share of the net pension liability	$ 661,064	$ 785,612	$ 676,383	$ 530,238	$ 542,029
SELF's covered employee payroll	$ 883,549	$ 850,014	$ 783,263	$ 561,000	$ 561,000
SELF's proportionate share of the net pension liability as a percentage of their covered-employee payroll	74.82%	92.42%	86.35%	94.52%	96.62%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.30%	74.10%	78.40%	78.60%

Notes to Schedule:

Change of benefit terms – For the measurement dates ended June 30, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – In 2018, the inflation rate was decreased from 2.75% to 2.50%. In 2017, the financial reporting discount for the PERF C was lowered from 7.65% to 7.15%. There were no changes in assumptions for the measurement dates ended June 30, 2016, 2015, and 2014.

* Fiscal year 2014 was the 1st year of implementation, therefore only five years are shown.

SCHOOLS EXCESS LIABILITY FUND

SCHEDULE OF SELF'S CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST 10 YEARS*

Fiscal Year Ended June 30:	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 206,552	$ 236,978	$ 116,083	$ 105,452	$ 80,717
Contributions in relation to the contractually required contributions	(206,552)	(236,978)	(116,083)	(105,452)	(80,717)
Contribution deficiency (excess)	$	$	$	$	$
SELF's covered-employee payroll	$ 1,118,047	$ 883,549	$ 850,014	$ 783,263	$ 561,000
Contributions as a percentage of covered-employee payroll	18.47%	26.82%	13.66%	13.46%	14.39%

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

ADDITIONAL INFORMATION

SCHOOLS EXCESS LIABILITY FUND

COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2019

	Excess Liability	Excess Workers' Compensation	Building	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,330,042	$ 11,957,865	$ 464,419		$ 22,752,326
Investments	2,539,309	4,497			2,543,806
Accounts receivable:					
Excess insurance recoverable	1,601				1,601
Interest and other	129,536	325,705	217,246	$ (215,508)	456,979
Member assessments receivable		5,354,348			5,354,348
Prepaid expenses	10,080	270			10,350
Total current assets	13,010,568	17,642,685	681,665	(215,508)	31,119,410
Noncurrent assets:					
Investments	18,093,812	51,906,415			70,000,227
Member assessments receivable		19,056,840			19,056,840
Capital assets, net	9,947	4,524	1,132,746		1,147,217
Total noncurrent assets	18,103,759	70,967,779	1,132,746		90,204,284
Total assets	31,114,327	88,610,464	1,814,411	(215,508)	121,323,694
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions	301,174	122,007			423,181
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	316,858	51,157	27,933	(215,508)	180,440
Other liabilities	26,370	33,333			59,703
Consigned member indemnity payable					
Unpaid claims and claim adjustment expenses	6,690,000	4,700,000			11,390,000
Total current liabilities	7,033,228	4,784,490	27,933	(215,508)	11,630,143
Noncurrent liabilities:					
Other liabilities		66,667			66,667
Net pension liability	472,213	188,851			661,064
Unpaid claims and claim adjustment expenses	28,522,794	60,970,468			89,493,262
Total noncurrent liabilities	28,995,007	61,225,986			90,220,993
Total liabilities	36,028,235	66,010,476	27,933	(215,508)	101,851,136
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	8,664	22,803			31,467
NET POSITION					
Net investment in capital assets	9,947	4,524	1,132,746		1,147,217
Unrestricted	(4,631,345)	22,694,668	653,732		18,717,055
Total net position	$ (4,621,398)	$ 22,699,192	$ 1,786,478	$	$ 19,864,272

SCHOOLS EXCESS LIABILITY FUND

COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2018

	Excess Liability	Excess Workers' Compensation	Building	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 4,590,954	$ 6,841,601	$ 515,587	$ 11,948,142
Investments	4,556,226			4,556,226
Accounts receivable:				
Excess insurance recoverable	63,438			63,438
Interest and other	140,742	322,085	2,413	465,240
Member assessments receivable		6,355,281		6,355,281
Prepaid expenses	10,471	572	9,764	20,807
Total current assets	9,361,831	13,519,539	527,764	23,409,134
Noncurrent assets:				
Investments	18,429,467	50,180,168		68,609,635
Member assessments receivable		25,412,121		25,412,121
Capital assets, net	17,913	7,938	1,235,265	1,261,116
Total noncurrent assets	18,447,380	75,600,227	1,235,265	95,282,872
Total assets	27,809,211	89,119,766	1,763,029	118,692,006
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	353,505	144,434		497,939
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	143,634	67,191	5,007	215,832
Other liabilities	26,370	33,333		59,703
Consigned member indemnity payable	1,807,387			1,807,387
Unpaid claims and claim adjustment expenses	6,060,000	3,906,000		9,966,000
Total current liabilities	8,037,391	4,006,524	5,007	12,048,922
Noncurrent liabilities:				
Other liabilities		100,000		100,000
Net pension liability	559,397	226,215		785,612
Unpaid claims and claim adjustment expenses	22,469,248	65,660,763		88,130,011
Total noncurrent liabilities	23,028,645	65,986,978		89,015,623
Total liabilities	31,066,036	69,993,502	5,007	101,064,545
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	6,298	21,789		28,087
NET POSITION				
Net investment in capital assets	17,913	7,938	1,235,265	1,261,116
Unrestricted	(2,927,531)	19,240,971	522,757	16,836,197
Total net position	$ (2,909,618)	$ 19,248,909	$ 1,758,022	$ 18,097,313

SCHOOLS EXCESS LIABILITY FUND

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION JUNE 30, 2019

	Excess Liability	Excess Workers' Compensation	Building	Eliminations	Total
OPERATING REVENUE					
Member contributions	$ 21,096,568				$ 21,096,568
Total operating revenues	21,096,568				21,096,568
OPERATING EXPENSES					
Provision for unpaid claims and claim adjustment expenses	14,048,112	$ (1,087,217)			12,960,895
Commercial reinsurance premiums	8,246,965				8,246,965
Total direct claims expenses	22,295,077	(1,087,217)			21,207,860
General and administrative expenses:					
Contract services	314,696	141,370			456,066
Personnel costs	1,055,871	329,972	$ 31,058		1,416,901
Administrative expenses	497,434	119,427	5,260		622,121
Building			141,061		141,061
Depreciation	7,965	3,414	113,019		124,398
Total general and administrative	1,875,966	594,183	290,398		2,760,547
Total operating expenses	24,171,043	(493,034)	290,398		23,968,407
Operating income (loss)	(3,074,475)	493,034	(290,398)		(2,871,839)
NON-OPERATING REVENUES (EXPENSES)					
Rental income			303,946		303,946
Investment income (loss)	1,361,587	2,956,759	11,908		4,330,254
Other income	1,108	490	3,000		4,598
Total non-operating revenues (expenses)	1,362,695	2,957,249	318,854		4,638,798
Change in net position	(1,711,780)	3,450,283	28,456		1,766,959
Net position, beginning of year	(2,909,618)	19,248,909	1,758,022		18,097,313
Net position, end of year	$ (4,621,398)	$ 22,699,192	$ 1,786,478	$	$ 19,864,272

SCHOOLS EXCESS LIABILITY FUND

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION JUNE 30, 2018

	Excess Liability	Excess Workers' Compensation	Building	Total
OPERATING REVENUE				
Member contributions	$ 15,073,823			$ 15,073,823
Total operating revenues	15,073,823			15,073,823
OPERATING EXPENSES				
Provision for unpaid claims and claim adjustment expenses	11,683,648	$ (2,397,773)		9,285,875
Commercial reinsurance premiums	7,898,686			7,898,686
Total direct claims expenses	19,582,334	(2,397,773)		17,184,561
General and administrative expenses:				
Contract services	261,236	133,690		394,926
Personnel costs	826,183	349,655		1,175,838
Administrative expenses	379,608	99,688	$ 2,312	481,608
Building			108,781	108,781
Depreciation	7,213	3,091	115,169	125,473
Total general and administrative	1,474,240	586,124	226,262	2,286,626
Total operating expenses	21,056,574	(1,811,649)	226,262	19,471,187
Operating income (loss)	(5,982,751)	1,811,649	(226,262)	(4,397,364)
NON-OPERATING REVENUES (EXPENSES)				
Rental income			285,420	285,420
Investment income (loss)	61,884	(296,175)	5,649	(228,642)
Other income	831	5,041	3,000	8,872
Total non-operating revenues (expenses)	62,715	(291,134)	294,069	65,650
Change in net position	(5,920,036)	1,520,515	67,807	(4,331,714)
Net position, beginning of year	3,010,418	17,728,394	1,690,215	22,429,027
Net position, end of year	$ (2,909,618)	$ 19,248,909	$ 1,758,022	$ 18,097,313

OTHER INDEPENDENT AUDITOR'S REPORT

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*

Independent Auditor's Report

Board of Directors and Members
Schools Excess Liability Fund
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Schools Excess Liability Fund (SELF), which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered SELF'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 SELF's internal control. Accordingly, we do not express an opinion on the effectiveness of SELF's internal control.

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 audits 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether SELF's financial statements are free from 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gilbert CPAs

GILBERT CPAs
Sacramento, California

December 2, 2019