SANTA CLARA COUNTY
SCHOOLS' INSURANCE GROUP

FINANCIAL STATEMENTS
June 30, 2015 and 2014

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP

FINANCIAL STATEMENTS
June 30, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Santa Clara County Schools' Insurance Group
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Clara County Schools' Insurance Group, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Santa Clara County Schools' Insurance Group's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Clara County Schools' Insurance Group, as of June 30, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." As discussed in Note 6, Statements No. 68 and No. 71 are effective for Santa Clara County Schools' Insurance Group's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

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 13, the Reconciliation of Claims Liabilities by Type of Contract on pages 29 through 32, and the Claims Development Information on pages 33 through 36, the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 37 and the Schedule of the Group's Contributions on page 38 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Santa Clara County Schools' Insurance Group's financial statements. The Combining Statements of Net Position and Combining Statements of Revenues, Expenses and Change in Net Position are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining Statements of Net Position and Combining Statements 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 Statements of Net Position and Combining Statements of Revenues, Expenses and Change in Net Position are fairly stated, in all material respects, in relation to the financial statements as a whole.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 4, 2015 on our consideration of Santa Clara 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 Santa Clara County Schools' Insurance Group's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 4, 2015

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2014/2015

The following report reflects on the financial condition of Santa Clara County Schools' Insurance Group (SCCSIG") as of and for the fiscal years ended June 30, 2014, and 2015. It is provided in order to enhance the information in the independent financial audit, basic financial statements, and notes to the basic financial statements included in the financial audit report. Please read it in conjunction with the Group's financial statements, which immediately follow this section.

Introduction and Background:

The Santa Clara County Schools' Insurance Group (SCCSIG) was established on October 1, 1978 by a Joint Powers Agreement to provide mutual risk management and insurance programs for member districts. Under such an agreement, two or more public agencies may jointly exercise any power common to the contracting parties. The SCCSIG had 31 members in 2014/2015 participating in any number of individual programs/funds: Workers' Compensation, Property and Liability, Medical, Vision, and Dental. For financial reporting purposes, the SCCSIG operates as a special-purpose government engaged in business type activities.

The SCCSIG is governed by a seven member Executive Committee, elected for two-year terms by the Board of Directors. The Executive Committee elects a President, Vice President, and Secretary/Treasurer for a one-year term from the members of the Executive Committee. The full Board of Directors is comprised of a representative and alternate from each member district, as designated by the district's superintendent.

The Executive Committee is responsible for the ongoing operations of the SCCSIG and is empowered to implement and enforce all provisions of the Joint Powers Agreement, the SCCSIG Bylaws, and all approved policies and procedures. The Executive Committee has delegated the responsibility of the daily operation of the SCCSIG to the Executive Director and staff. The Executive Director provides reports on activities to the Executive Committee at regular Board meetings, which includes Treasury Reports and Financial Statements, with comparative analysis with the adopted budget and prior year audited financials throughout the year, as well as other reports and updates as necessary.

Mission Statement

The purpose of the Santa Clara County Schools' Insurance Group is to provide to the members the long-term cost effective benefit of self-insurance pooling and the joint purchase of insurance.

Program Overview:

SCCSIG's Dental, Vision, Medical, Workers' Compensation, and Property/Liability programs are comprised of Members from K-12 Schools Districts, Community Colleges, and Other Organizations, throughout the State of California. Membership varies by program.

Benefits:

- The benefit programs, Dental, Vision and Medical, are administrated by Keenan and Associates. Rates for the self-insured Vision and Dental plans are calculated by their underwriters for all members, and rate changes are determined by the SCCSIG Fringe Benefit Committee and approved by the Executive Committee. Benefit plans are on a calendar year basis.

Dental:

- Established July 1, 1986.
- The Dental program is a self-insured program with Delta Dental and administrated by Keenan & Associates through their California Dental Coalition.

Vision:

- Established October 1, 1985.
- The Vision program is a self-insured program with VSP and administrated by Keenan & Associates through their California Vision Coalition.

Medical:

- The Medical fund was established in 2011/2012 with federal funds received through the Early Retiree Reinsurance Program, a component of the Patient Protection and Affordable Care Act of 2010. This program provides reimbursement of part of the cost of providing medical coverage to early retirees.
- These funds provided by the United States Department of Health and Human Services are restricted by the Code of Federal Regulations; 45 CFR Part 149 § 149.200, and will benefit the SCCSIG's 13 Anthem Blue Cross plan members and 11 Kaiser plan members. Both plans are fully insured.
- The contract with Keenan & Associates to apply for funds through the Federal Early Retiree Reinsurance Program (ERRP) provided that our medical carriers would pay the $25,000 contract through additional service override compensation, collected through fully insured premiums. These fees were collected on their contracts between 2010 and 2012.

Workers' Compensation:

- Established October 1, 1978.
- The SCCSIG was self-insured from October 1, 1978 through December 31, 1995, purchasing various levels of excess coverage from $100,000 to $250,000 through Fremont Insurance, ERC (Westport Ins. Corp), Safety Mutual/Safety National, and Schools Alliance for Workers' Compensation Excess (SAWXC II).
- From January 1, 1996 through June 30, 2003, the SCCSIG was fully insured through Fremont Insurance (1/1/1996 to 6/30/2000), then ACE Insurance Co. of North America (7/1/2000 to 6/30/2003).
- Since July 1, 2003, the SCCSIG has been self-insured, participating in the Protected Insurance Program for Schools (PIPS), which provides excess coverage from the first dollar to statutory limits. Rates paid to PIPS is their base rate times an experience modification factor (x-mod), based on the SCCSIG individual loss history. The PIPS base rate has fluctuated each year, as has the experience modification factor. Costs initially increased 39% from $1.58 per $100 of payroll in 2002/2003, under a fully insured program with ACE. As of 2012/2013, the base rate has increased 39%, while the final rate has increased only 1.5%, since the SCCSIG's x-mod had decreased 21% over this time period. Net Position Equity in PIPS is vested at 10% per year, with full equity participation after 10 consecutive years, for each policy year of participation. In 2009/2010, the SCCSIG gave PIPS notice of potential withdrawal, due to our request for proposal for the workers' compensation program. The SCCSIG's Executive Committee elected to retain PIPS membership and continues membership, as of 2014/2015.
- Deficit assessments between 2001/2002 and 2007/2008 by the Schools Alliance for Workers' Compensation Excess (SAWCX II) reduced assets by $2,462,529, with assessments on excess coverage at $150,000 from 1988/1989 through 1993/1994 and $250,000 from 1994/1995 through December 31, 1995.
- Revisions in the reserving practice for the Workers' Compensation's self-insured claims between 1979 through 1996 resulted in a deficit position for the program in 2004/2005. Therefore, a 6 year recovery plan was adopted beginning in 2005/2006 to resolve this deficit position. The Recovery Plan collected of an additional $0.05 per $100 of payroll, for a total of $1.5 million over four years, when the plan had positive equity and was discontinued. As of June 30, 2015, the program is in a positive position of $159,965.
- The net effect of Claims paid and the Change in Claims Reserves for Workers' Compensation in 2012/2013 was a $741,278 increased expense for the self-insured claims from October 1, 1978 to December 31, 1995; these costs are recorded as liabilities when known and therefore no expense is budgeted in current years. Claims with incident dates of 1996 and subsequent do not have claims liabilities, being either fully-insured or insured from first dollar to statutory limits.
- The SCCSIG has added two members and lost five members from the Workers' Compensation program, including the Santa Clara County Office of Education (SCCOE) who withdrew in July 1999 and was awarded a $1 million settlement, which was paid over seven years from 2002/2003 through 2008/2009.
- The SCCSIG set a 15% cap on experience modification factors, as of July 1, 2009 to stabilize rates from wide fluctuations and ease the burden on districts, due to members' loss history.

Property and Liability:

- Established July 1, 1980
- The SCCSIG maintains $100,000 self-insured retention in both Property and Liability, with lower retained limits for special coverage for auto property, crime, and electronic data processing.
- The SCCSIG joined the Alliance of Schools for Cooperative Insurance Program (ASCIP), as of July 1, 2008, for excess property and liability coverage from the SCCSIG retained limits to $500 million in property and $5 million in liability. ASCIP provides claims administration for all claims with loss dates after June 30, 2008; including those below our retention levels at no additional cost. The change in carriers resulted in a reduction of 30% in total excess insurance costs in the first year. Between 2007/2008 and 2014/2015, excess insurance costs have decreased 11%, including a 10% increase in premium in 2012/2013.
- The SCCSIG rejoined Schools Excess Liability Fund (SELF) in July 1, 2008 for excess liability coverage from $5 million to $25 million. The SCCSIG had withdrawn from SELF June 30, 2007.
- Equity of over $13 million has been returned to members, including $2.1 million in 2009/2010 and $1 million in 2010/2011 closing out program years through 2003/2004.

Financial Highlights:

In 2014/2015, SCCSIG's net position improved by $2.3 million. This increase was offset by the cost of the cumulative effect of GASB Statement No. 68 required implementation (effective 07/01/2015), of $400 thousand. The net position at 06/30/2014 was $10.1 million (prior to GASB Statement No. 68), increasing to $12 million as of 06/30/2015.

Workers' Compensation

The Worker's Compensation program continues to move in the right direction, for the second year in a row, with a increase to the net position. In 2013/2014, the deficit decreased by $432 thousand, from a deficit of $272 thousand, as of 06/30/2013, to a positive net position of $160 thousand, as of 06/30/2014. In 2014/2015, the net position increased from $160 thousand to $188 thousand. However, this is $284 thousand less than what is required to fund the designated actuarially determined Capital Target at a 80% probability level funding of $472 thousand.

Property/Liability

In 2014/2015, the net position increased from $3.9 million, as of 06/30/2014, to $4.7 million, as of 06/30/2015. This increase in net position of $800 thousand is attributed to actual claim costs development less than actuarial expected claim cost and less than funding, offset by the implementation of GASB Statement No. 68.

Dental

In 2014/2015, the net position increased from $5.3 million, as of 06/30/2014, to $6.2 million, as of 06/30/2015. The net position increased by $973 thousand. This increase is attributed to funding in excess of actual costs. All liabilities are fully reserved in this program.

Vision

In 2014/2015, the net position increased from $711 thousand, as of 06/30/2014, to $808 thousand, as of 06/30/2015. The net position increased by $97 thousand. This increase is attributed to funding in excess of actual costs. All liabilities are fully reserved in this program.

Financial Management and Control:

SCCSIG is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Executive Director and staff, provides financial oversight and cash management. This includes budgeting, accounts receivable, accounts payable, and, at a minimum, quarterly financial updates.

SCCSIG has also contracted an independent actuarial to review their programs. These studies confirm the adequacy and reasonableness of the liabilities recorded as outstanding claim reserves for all program years. AON Risk Solutions - Actuarial Consultants review the Worker's Compensation and Property Liability programs. Actuaries provide estimates of outstanding liabilities (IBNR) for the Dental and Vision programs.

Crowe Horwath LLP, is contracted to perform the annual independent audit examination of the financial statements in accordance with generally accepted auditing standards.

The SCCSIG does not contract with an investment advisor and did not hold any private investments. The majority of SCCSIG's funds are held in the Santa Clara County Treasury Pool, since the principal is 100% protected while yields are routinely higher than other comparable options available per the SCCSIG Investment Policy. Operating accounts, including two trust accounts, are held at Bank of the West. These accounts are funded monthly for expected operating expenses and balances are kept to the minimum.

The SCCSIG is accredited by California Association of Joint Powers Authorities (CAJPA) with Excellence. Their accreditation is based on a model of professional standards for risk management pools. CAJPA standards require a Capital Reserve, which sets a safety reserve to safeguard against future financial uncertainty, and measures for financial stability.

The SCCSIG obtained accreditation with the California Association of Joint Powers Authorities, as of November 1, 2005. As of 2009/2010, the SCCSIG earned the distinction of Accreditation with Excellence. The CAJPA accreditation program is a national model of professional standards for risk management pools. To comply with standards for accreditation, in 2004/2005 the SCCSIG established Capital Targets for each program. These are designated equity amounts held to provide a reserve to safeguard against future financial uncertainty. The Capital Targets for the Workers' Compensation and Property & Liability funds are both set at $500,000. The Capital Targets for the Vision and Dental funds are set at approximately 2.5 months of average claims expense.

Basic Financial Statements:

SCCSIG's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and necessarily include amounts based upon reliable estimates and judgments. The Statement of Net Position, Statement of Revenue, Expenses and Change in Net Position, and the Statements of Cash Flows are included.

The Statement of Net Position provides information on SCCSIG's program assets and liabilities, with the difference reported as Net Position. The Statement of Revenues, Expenses and Change in Net Position presents information showing total operating revenues versus operating expenses and the resulting effect on Net Position. The Statement of Cash Flows is presented to reflect the operation based on inflows and outflows of cash.

Statement of Net Position:

Below is a consolidated summary of the Statement of Net Position as of 06/30/2013, 06/30/2014, and 06/30/2015, showing total assets versus total liabilities, with a percentage of change between program years.

	As of		2014/2015			2014/2015	
	06/30/13	06/30/14	Variance	%	06/30/15	Variance	%
ASSETS							
Current Assets							
Cash and Cash Equivalents	$ 13,276,234	$ 14,380,453	$ 1,104,219	8.32 %	$ 14,345,841	$ (34,612)	(0.24)
Prefunding deposits	1,532,029	1,911,884	379,855	24.79	1,878,265	(33,619)	(1.76)
Accounts Receivable	327,523	1,131,575	804,052	245.49	1,558,459	426,884	37.72
Prepaid Expense	4,750	17,503	12,753	268.48	--	(17,503)	(100.00)
Total Current Assets	15,140,536	17,441,415	2,300,879	15.20	17,782,565	341,150	1.96
Capital assets, net							
Capital assets, net	14,053	10,991	(3,062)	(21.79)	--	(10,991)	(100.00)
Total Capital Assets	14,053	10,991	(3,062)	(21.79)	--	(10,991)	(100.00)
Total Assets	15,154,589	17,452,406	2,297,817	15.16	17,782,565	330,159	1.89
Deferred outflow of resources							
Deferred outflow of resources - pension	--	--	--	--	51,103	51,103	--
LIABILITIES							
Current Liabilities							
Accounts payable	238,009	2,512,802	2,274,793	955.76	1,141,511	(1,371,291)	(54.57)
Safety Credits payable	361,052	399,505	38,453	10.65	531,473	131,968	33.03
Net Pension liability	--	--	--	0.00	359,786	359,786	--
Current portion of unpaid claims and claim adjustment expenses	1,542,675	1,766,000	223,325	14.48	1,455,000	(311,000)	(17.61)
Total current Liabilities	2,141,736	4,678,307	2,536,571	118.44	3,487,770	(1,190,537)	(25.45)
Noncurrent Liabilities - claim liability	3,185,293	2,656,842	(528,451)	(16.59)	2,181,496	(475,346)	(17.89)
Total noncurrent Liabilities	3,185,293	2,656,842	(528,451)	(16.59)	2,181,496	(475,346)	(17.89)
Total Liabilities	5,327,029	7,335,149	2,008,120	37.70	5,669,266	(1,665,883)	(22.71)
Deferred inflow of resources							
Deferred inflow of resources - pension	--	--	--	--	97,094	97,094	--
NET POSITION	$ 9,827,560	$ 10,117,257	$ 289,697	2.95 %	$ 12,067,308	$ 1,950,051	19.27

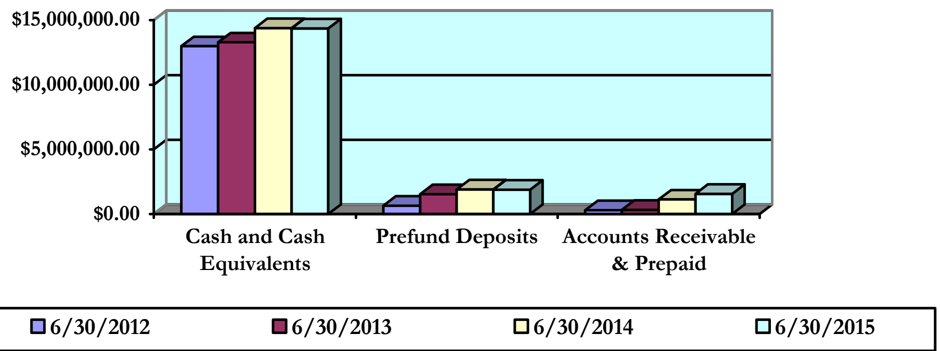
Assets:

In 2014/2015, the assets of SCCSIG increased by 1.89 % or $330 thousand. In 2013/2014, the assets of SCCSIG increased by 15.16% or $2.3 million.

In 2014/2015, cash and cash equivalents remained stable with less than 1% decrease. The increase in accounts receivable is attributed to the estimate to actual payroll adjustment for 2014/2015. In 2014/2015, actual audited payroll is in excess of estimated.

Cash variances are mainly attributed to receipt of member contributions, which are less or greater than, claim payments, insurance premiums, and other operating expense. Investment income also increases cash and cash equivalents.

Annually variance in assets can be seen below for 2010/2011, 2011/2012, and 2012/2013.



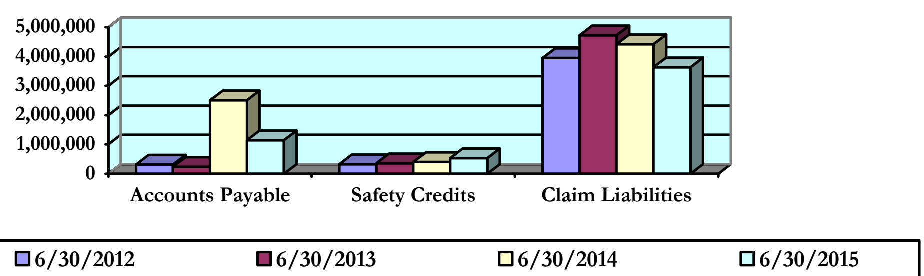
Liabilities:

In 2014/2015, the liabilities of SCCSIG decreased by 22.71% or $1.7 million. In 2013/2014, the liabilities of SCCSIG increased by 37.70% or $2 million.

This variance is mainly attributed to the decrease 17.89% decrease in claim liabilities and a 54.57% decrease in accounts payable, which included a dividend payable, in 2013/2014, a dividend of $1.6 mill was declared from the Property & Liability program.

Other factors that influence the change in liabilities is annually, independent actuary review, claim liabilities are updated based upon these evaluations. The annual actuarial review and re-estimate of the ultimate cost associated with payment, for the life of the claim, on the self-insured retained program years, is an integral factor in keeping the financials relevant.

The annual variance in liabilities can be seen below for 2012/2013, 2013/2014, and 2014/2015.

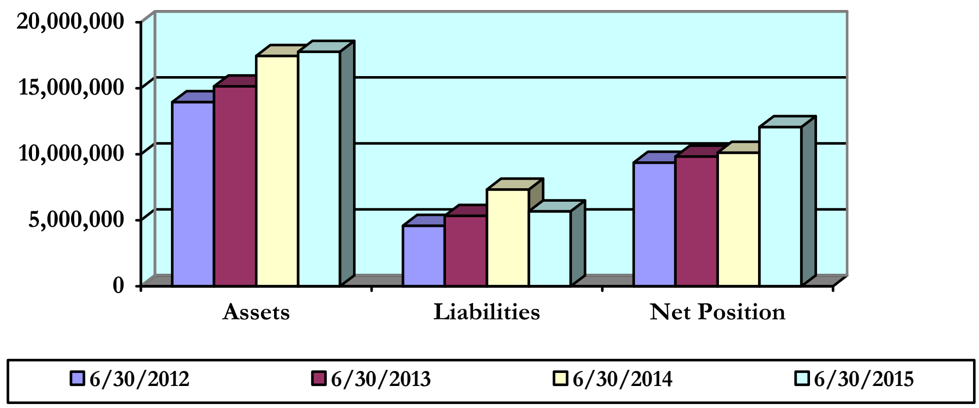


Net Position:

In 2014/2015, as of 06/30/2015, SCCSIG's ending Net Position is $12 million. This position reflects an increase to the prior year net position of 19.27% or $2 million. This was due to the following factors.

1) Increase in net assets from net operating income, greater than operating expenditures of $2.2 million
2) Increase in net assets from non operating investment income of $61 thousand and decrease due to the cumulative effect of GASB 68 implementation of $360 thousand.

Statement of Net Position year variances can be seen below.



Statements of Revenues, Expenses and Change in Net Position:

In 2014/2015, revenues exceeded expenses by $2 million, resulting in an increase to net assets, of 19.27%. Details of these changes are shown below, in the Condensed Statements of Revenues, Expenses, and Changes in Net Position.

	Fiscal Year Ended		Increase/ (Decrease) 2013/2014		Fiscal Year Ended	Increase/(Decrease) 2014/2015	
	06/30/13	06/30/14	Variance	Percentage	06/30/15	Variance	Percentage
Operating Revenue:							
Member Contributions	$ 28,135,278	$ 29,435,174	$ 1,299,896	4.62 %	$ 30,516,004	$ 1,080,830	3.67 %
Safety Credits	253,272	290,660	37,388	14.76	304,295	13,635	4.69
Other	135,098	408,949	273,851	202.71	514,712	105,763	25.86
Total Operating Revenue	28,523,648	30,134,783	1,611,135	5.65	31,335,011	1,200,228	3.98
Operating Expenses:							
Claims and Claims Adj Expense	10,702,626	9,822,148	(880,478)	(8.23)	8,789,775	(1,032,373)	(10.51)
Insurance Premiums	15,584,248	16,484,285	900,037	5.78	18,291,422	1,807,137	10.96
Safety Credits	253,272	290,660	37,388	14.76	329,115	38,455	13.23
Claims administration	745,065	737,807	(7,258)	(0.97)	786,924	49,117	6.66
General and administrative expense	855,285	874,276	18,991	2.22	889,704	15,428	1.76
Total Operating Expenses	28,140,496	28,209,176	68,680	0.24	29,086,940	877,764	3.11
Net Operating Income/(loss)	383,152	1,925,607	1,542,455	402.57	2,248,071	322,464	16.75
Investment Income	73,211	56,163	(17,048)	(23.29)	61,766	5,603	9.98
Dividends to Members	--	(1,692,073)	--	--	--	1,692,073	--
Non Operating Income/(Expense)	73,211	(1,635,910)	(1,709,121)	(2,334.51)	61,766	1,697,676	(103.78)
Change in Net Position	456,363	289,697	(166,666)	(36.52)	2,309,837	2,020,140	697.33
Beginning Net Position	9,371,197	9,827,560	456,363	4.87	10,117,257	289,697	2.95
Cumulative effect of GASB 68		0			(359,786)	(359,786)	
Ending Net Position	$ 9,827,560	$ 10,117,257	$ 289,697	2.95 %	$ 12,067,308	$ 1,950,051	19.27 %

In 2014/2015, operating revenues increased by 3.98% or $1.2 million. In 2013/2014, operating revenue increased by $1.6 million, or 5.65%.

In 2014/2015, operating expense increased by 3.11% or $880 thousand. In 2013/2014, operating expense increased by $68 thousand or .24%.

The Statement of Revenues, Expenses & Change in Net Position shows the activity of the SCCSIG from July 1, 2014 through June 30, 2015. There are four basic parts to this statement: Operating Revenues, Program Expenses, General and Administration Expenses, and Non-operating Revenues and Expenses.

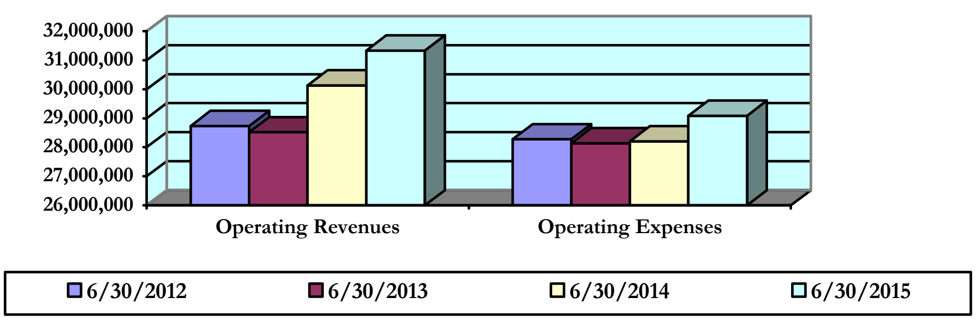
Operating Revenue is primarily the premiums or contribution by SCCSIG's members for financing pool-funding requirements.

Program Expenses are expenses directly related to the program's main function, such as claims and claim administration expenses for self-funded program years and insurance or excess insurance premiums for fully or partially insured program years. These are required costs of the fund that would be incurred by our members directly, even if the SCCSIG did not exist and account for 97% of all expenses. Claims and claim administration expenses and Insurance Premiums, including state self-insurance assessments.

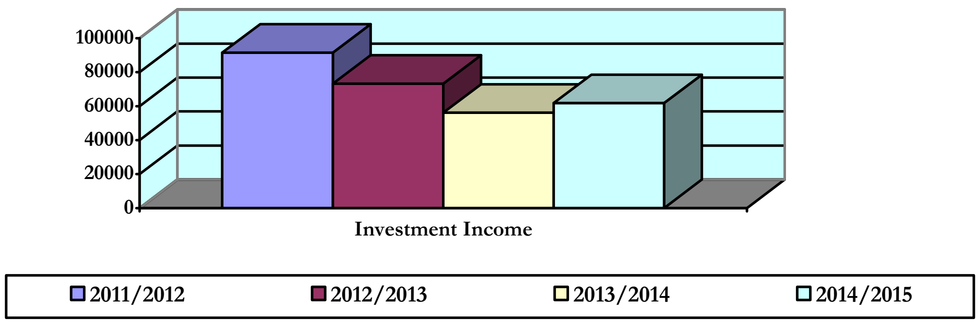
General and Administration Expenses are costs of the SCCSIG to manage and maintain each program and indirect costs, such as actuarial reports, claims audits, and audit fees, which are required by law. The SCCSIG varies the scheduling of required reports, as to minimize fluctuation in overhead from year to year.

Non-operating Revenues and Expenses are income and/or costs not directly related to the operation of the programs, including investment income or loss and dividends or other equity returns or assessments. 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. In 2013/2014 SCCSIG declared $1.6 million dividend in the property & liability program. No dividends were declared in 2014/2015.

Below is a graph showing historical variances in the operating income and expense.



Below is a graph showing historical variances in the Investment Income.



Budget vs. Actual

The SCCSIG operates as a pass-though organization, collecting premiums/contributions from members each fiscal year based on the necessary funding for the current year. The budget for current operations should always net to zero income/loss. The General & Administrative Expense budget for fiscal year is approved by the Executive Committee at the March meeting; the full budget is approved in May.

	Budget	Actual	Variance	Percentage
Operating Revenue	$ 30,761,636	$ 31,335,011	$ 573,375	1.86 %
Program Expense	(29,509,991)	(28,197,236)	1,312,755	(4.45)
General & Adminitration expense	(1,013,020)	(889,704)	123,316	(12.17)
Net Operating Revenue/(loss)	238,625	2,248,071	2,009,446	
Non-operating Revenue/(loss)	56,467	61,766	5,299	
Change in Net Position	$ 295,092	$ 2,309,837	$ 2,014,745	

Actual amounts for the fiscal year versus the adopted budget and actual amounts versus the prior years audited financial statement amounts are included to show the SCCSIG's financial performance in relation to the annual plan for the programs and on a continuing basis. Revenues were 1.86% over the adopted budget and increased 4.62% from 2013/2014. Total Program Expenses were approximately 4.45% under budget.

Description of Facts or Conditions that are expected to have a Significant Effect on Financial Position or Results of Operations:

The SCCSIG Executive Director and Board of Director's continue to evaluate the changing market environment, to explore for new opportunities to improve programs and save costs. The SCCSIG completed request for proposals for both the workers' compensation and property & liability programs over the last five years, evaluating various options and providers to determine the best option for Members. SCCSIG will request proposals for the benefits program in the 2015/2016 fiscal year.

The Workers' Compensation program, with PIPS, is performing at a more than 99% actuarial determined probability level, with all costs fully funded. PIPS are currently in the third year of a three year rate guarantee with insurance carriers.

The Property & Liability program has been financially strong, as our loss history has continually remained below actuarial estimates. The SCCSIG policy allows us to close out program years, with no open claims, older than six years. In the last eight years, was able to close prior policy years, returning over $6.3 million in equity to participating members. The SCCSIG Board annually evaluates the potential to close out additional policy years and return equity to members.

The SCCSIG sponsors fully insured benefit plans, including Anthem Blue Cross and Kaiser medical plans, as well as the Vision and Dental self-insured programs. With the recent passage of the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act in March 2010 (a.k.a. the Affordable Care Act), the SCCSIG has been a resource for our members in preparing and complying with the legislation. This will remain a factor, as clarification of the Affordable Care Act is provided and reforms under the Act are rolled out though 2018.

At present there are no known facts or conditions that are expected to have a significant effect on the financial position or results of operations for SCCSIG.

FINANCIAL STATEMENTS

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 14,345,841	$ 14,380,453
Prefund deposits (Note 3)	1,878,265	1,911,884
Receivables:		
Members	1,520,679	1,078,605
Excess insurance	18,476	38,203
Interest	18,647	13,586
Other	657	1,181
Prepaid expenses	-	17,503
Total current assets	17,782,565	17,441,415
Capital assets, net	-	10,991
Total assets	17,782,565	17,452,406
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflow of resources – pension (Note 6)	51,103	-
LIABILITIES		
Current liabilities:		
Accounts payable	47,419	69,018
Payroll payable	14,927	35,455
Dividends payable	-	1,692,073
Insurance premium payable	1,079,165	716,256
Safety credits (Note 4)	531,473	399,505
Net pension liability (Note 6)	359,786	-
Current portion of unpaid claims and claim adjustment expenses (Note 5)	1,455,000	1,766,000
Total current liabilities	3,487,770	4,678,307
Unpaid claims and claim adjustment expenses less current portion (Note 5)	2,181,496	2,656,842
Total liabilities	5,669,266	7,335,149
Contingencies (Note 10)		
DEFERRED INFLOW OF RESOURCES		
Deferred inflow of resources – pension (Note 6)	97,094	-
NET POSITION		
Net investment in capital assets	-	10,991
Unrestricted	12,067,308	10,106,266
Total net position	$ 12,067,308	$ 10,117,257

See accompanying notes to financial statements.

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Member contributions	$ 30,516,004	$ 29,435,174
Safety credits	304,295	290,660
Other	514,712	408,949
Total operating revenues	31,335,011	30,134,783
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 5)	8,789,775	9,822,148
Insurance premiums	18,296,927	16,484,285
Safety credits	329,115	290,660
Claims administration	786,924	737,807
General and administrative expenses (Notes 6, 7 and 8)	884,199	874,276
Total operating expenses	29,086,940	28,209,176
Operating income	2,248,071	1,925,607
Non-operating revenues (expenses):		
Investment income	61,766	56,163
Dividends to members	-	(1,692,073)
Total non-operating revenues (expenses)	61,766	(1,635,910)
Change in net position	2,309,837	289,697
Net position, beginning of year	10,117,257	9,827,560
Cumulative effect of GASB 68 implementation	(359,786)	-
Net position, beginning of year, as restated	9,757,471	9,827,560
Net position, end of year	$ 12,067,308	$ 10,117,257

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from members and others	$ 30,892,937	$ 29,272,092
Cash received (payments) for prefund deposits	33,619	(379,855)
Cash payments for claims	(9,576,121)	(10,127,274)
Cash payments for insurance and reinsurance	(17,928,513)	(15,811,209)
Cash for excess insurance or subrogations	19,727	59,061
Cash payments to members for safety program	(197,147)	(252,207)
Cash payments to members for dividends	(1,692,073)	-
Cash payments to employees for services	(524,249)	(591,751)
Cash payment to suppliers for goods and services	(1,130,488)	(1,119,357)
Net cash (used in) provided by operating activities	(102,308)	1,049,500
Cash flows from financing activities:		
Write-off (purchase) of capital assets	10,991	(1,022)
Cash flows from investing activities:		
Interest received	56,705	55,741
Net change in cash and cash equivalents	(34,612)	1,104,219
Cash and cash equivalents, beginning of year	14,380,453	13,276,234
Cash and cash equivalents, end of year	$ 14,345,841	$ 14,380,453
Reconciliation of operating income to net cash (used in) provided by operating activities:		
Operating income	$ 2,248,071	$ 1,925,607
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Depreciation expense	-	4,084
(Increase) decrease in:		
Prefund deposits	33,619	(379,855)
Receivables:		
Members	(442,074)	(874,344)
Excess insurance	19,727	59,061
Other	524	11,653
Prepaid expenses	17,503	(12,753)
Deferred outflows	(51,103)	-
(Decrease) increase in:		
Accounts payable	(21,599)	(95,156)
Dividends payable	(1,692,073)	-
Payroll payable	(20,528)	4,800
Insurance premiums payable	362,909	673,076
Safety credits	131,968	38,453
Unpaid claims and claim adjustment expenses	(786,481)	(305,126)
Deferred inflows	97,094	-
Net cash (used in) provided by operating activities	$ (102,308)	$ 1,049,500

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Santa Clara County Schools' Insurance Group (the "Group") was established by a Joint Powers Agreement on October 1, 1978, in accordance with Title I, Division 7, Chapter 5, Article I Sections 6500, et.seq., of the California Government Code. The purpose is for the operation of a common risk management and insurance program for member school districts related to workers' compensation, property/liability, medical, vision and dental benefits for member governmental agencies. The Group also purchases excess insurance and provides risk management services.

The Group is governed by a board consisting of one representative from each member entity. Member entities and the programs that they participate in at June 30, 2015 were as follows:

	Workers' Compensation	Property/ Liability	Medical	Vision	Dental
• Berryessa Union School District	x			x	x
• Cambrian School District*	x	x	x	x	x
• Campbell Union School District				x	x
• Cupertino Union School District	x				
• East Side Union High School District	x				
• East Valley Schools Transportation Agency (EVSTA)		x			
• Franklin-McKinley School District*	x	x	x		
• Fremont Union High School District	x				
• Gilroy Unified School District	x	x			
• Lakeside Joint School District	x				x
• Loma Prieta Joint Union School District	x	x	x		x
• Los Altos School District	x				
• Los Gatos Union School District	x	x	x	x	x
• Los Gatos/Saratoga Joint Union High School District	x		x	x	x
• Los Gatos/Saratoga Department of Community Education & Recreation	x	x	x	x	x
• Luther Burbank School District	x	x	x	x	x
• Metropolitan Education District	x				
• Milpitas Unified School District				x	x
• Moreland School District	x	x		x	x
• Morgan Hill Unified School District	x	x		x	x
• Mount Pleasant School District	x	x	x	x	x
• Mountain View Whisman School District	x		x	x	x
• Mountain View - Los Altos Union High School District	x				
• Oak Grove School District	x	x			
• Orchard School District	x	x	x	x	x
• Saratoga Union School District	x	x		x	x
• Silicon Valley Schools Transportation JPA		x			
• South East Consortium for Special Education (SELPAs V&VI)		x			
• Sunnyvale School District	x	x	x	x	x
• Union School District	x	x		x	x
• West Valley Schools Transportation JPA		x			
	25	19	11	16	18

Admission and Withdrawal of Members: Entities applying for membership must be approved by a two-thirds vote of the Executive Committee.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entities may withdraw from any program after having completed three consecutive years as members upon written notification to the Executive Committee by the dates specified in the bylaws. The effect of withdrawal (or termination) from the pooling programs does not terminate the responsibility of the entity to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

Reporting Entity: The reporting entity includes all activities considered to be part of the Group. This includes financial activity relating to all of the membership years of the Group.

In determining the reporting entity, the Group considered all governmental units that were members of the Group since inception. The criteria does not require the inclusion of these entities in the Group's financial statements principally because the Group does not exercise oversight responsibility over any members.

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 are recognized when the obligation is incurred.

Insurance Programs: The Group’s insurance programs are described below. The general and administrative accounts of the Group are allocated to each program based on services provided.

1. Workers' Compensation Program: The Workers' Compensation Program was established on October 1, 1978 to account for the payment of workers' compensation claims and administrative costs. Funding is based on contributions established by the Executive Committee on behalf of the Joint Powers Board. Through December 31, 1995, the Workers' Compensation program was self-funded by the Group. As of January 1, 1996, the Group purchased commercial insurance from various commercial insurance companies for claims incurred between January 1, 1996 and June 30, 2003. Claims incurred prior to January 1, 1996 were administered by Claims Management, Inc. (CMI) until December 31, 1998, when the administration of the claims was turned over to Keenan & Associates. As of July 1, 2003, the Group became self-insured, purchasing excess insurance through Protected Insurance Program for Schools Joint Powers Authority (PIPS).

2. Property/Liability Program: The self-insured Property/Liability Program was established on July 1, 1980. Funding is based on contributions established by the Executive Committee on behalf of the Joint Powers Board. Claims incurred prior to July 1, 2008 were administered by George Hills Company. As of July 1, 2008, the Group purchased excess insurance through Alliance of Schools for Cooperative Insurance Programs (ASCIP) for claims liabilities over $100,000. ASCIP also provides claims administration on self-insured claims up to $100,000.

3. Benefit Programs: The Benefit Programs account for the activity related to the Early Retiree Reinsurance Program and the payment of self-insured vision and dental claims and related administration costs. The consultant for the vision and dental programs is Keenan & Associates.

    a. *Medical Program* - The Medical Program was established as of September 29, 2011. This program was started with and handles the Federal funds received through the Early Retiree Reinsurance Program, a component of the Patient Protection and Affordable Care Act of 2010.

    b. *Vision Program* - The Vision Program was established as of October 1, 1985. This program handles the vision program for member agencies. Funding is accomplished through contributions established by the consultant based upon claims experience as approved by the Executive Committee. The claims are administered by Keenan & Associates through a coalition which contracts with Vision Service Plan. In addition, the Group also contracts with Medical Eye Services for a fully-insured vision program.

    c. *Dental Program* - The Dental Program was established as of July 1, 1986. This program handles the dental program for member agencies. Funding is accomplished through contributions established by the consultant based upon claims experience as approved by the Executive Committee. The claims are administered by Keenan & Associates through a coalition which contracts with Delta Dental.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Group considers all highly liquid assets with a maturity of three months or less when purchased to be cash and cash equivalents.

Investment Pool: The Group records its cash in the Local Agency Investment Fund (LAIF) and its investments at fair value. Changes in fair value are reported as investment income in the statement of revenues, expenses and change in net position.

The fair values of LAIF and investments are based on quoted market prices. The fair value of LAIF has been determined by the sponsoring government agency. The Group's investment in LAIF has been valued based on the relative fair value of the entire external pool to the external pool's respective amortized cost and approximated their carrying value at June 30, 2015 and 2014. LAIF is considered a cash equivalent for purposes of the statement of cash flows.

Capital Assets: Capital assets purchased or acquired, 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 five 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.

Accrued Vacation: The Group's vacation policy provides for the accumulation of earned vacation leave with such leave being fully vested upon completion of six consecutive months of employment. A liability for accrued vacation has been computed and recorded based on unused vacation hours at the current rate of pay.

The Group's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Group has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Provision for Unpaid Claims and Claim Adjustment Expenses: The Group's policy is to establish claims liabilities 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 insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The Group increases the liability for allocated and unallocated claims 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 claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed quarterly using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The portion of claims considered currently payable has been actuarially determined.

The unpaid claims and claims adjustment expenses (claim reserves and IBNR) are recorded on the statement of net position at the expected 50% confidence level in accordance with accounting principles generally accepted in the United States of America. The Board of Directors has elected, however, to fund both the liability and workers' compensation pools at an 80% confidence level.

Excess Insurance: The Group enters into reinsurance agreements whereby it cedes various amounts of risk to other insurance companies. The Group and its member entities retain the first $100,000 of liability and $100,000 of property risk per incident with the member entities covering the first $1,000 to $10,000 of loss. The Group does not report excess insured risk as a liability unless it is probable that a risk will not be covered by excess insurers. Settlements have not exceeded insurance coverage in each of the past three years.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess workers' compensation policies were purchased with the following retentions:

Fiscal Years		Retention
October 1978 - September 1979	$	150,000
October 1979 - June 1983	$	250,000
July 1983 - June 1985	$	100,000
July 1985 - June 1986	$	125,000
July 1986 - June 1987	$	200,000
July 1987 - June 1988	$	250,000
July 1988 - June 1994	$	150,000
July 1994 - December 1995	$	250,000
July 2003 - June 2015	$	-

The program was fully insured with no deductible for the period between January 1, 1996 and June 30, 2003.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements 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 Authority has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pension.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous 2% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund C and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Pool. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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

Designated Net Position: As of June 30, 2015 and 2014, the Board has designated net position of $2,885,231 and $3,877,074, respectively.

Designated net position consists of:

		2015		2014
Capital target	$	1,860,138	$	3,140,000
Confidence level funding to 80%	$	885,409	$	597,390
Member grants	$	28,000	$	28,000
Early retiree reinsurance program	$	111,684	$	111,684

Dividends and Rate Stabilization: The Group's Executive Committee reviews the available net position and the appropriate actuarial information to determine if a contribution refund should be declared. Each members' pro rata share of the contributions refund shall be calculated in the same proportion as their contribution paid during the fiscal year for which the contribution refund is declared.

The Board declared dividends of $1,647,073 from the Property and Liability program for the year ended June 30, 2014. No dividends were declared in the year ended June 30, 2015.

(Continued)

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 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.

Income Taxes: The Group is exempt from Federal income taxes under Internal Revenue Code Section 115, which excludes income derived from the exercise of any essential governmental function and accruing to a state political subdivision. As a public agency, the Group is also exempt from California state taxes. Accordingly, no provision for Federal or state income taxes has been made in the accompanying financial statements.

New Accounting Pronouncements: In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. This Statement is effective for the Authority's financial period beginning July 1, 2014. The Authority did not retroactively implement these statements as of July 1, 2013 because the defined benefit plan the Authority participates in, the California Public Employees' Retirement System (CalPERS), did not have the information readily available. Therefore, certain disclosures required under previous GASB statements are disclosed for fiscal year 2014. Based on the implementation of GASB Statement No. 68, the Authority's July 1, 2014 net position was restated by $359,786 because of the recognition of the net pension liability and deferred outflows of resources.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2015 and 2014 are reported at fair value and consisted of the following:

	2015	2014
Cash and cash equivalents:		
Cash in bank	$ 245,336	$ 159,952
Cash in County Treasury	14,080,480	14,200,513
Local Agency Investment Fund	20,025	19,988
Total cash and cash equivalents	$ 14,345,841	$ 14,380,453

Custodial Credit Risk: The Group limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015, the carrying amount and bank balances of the Group's accounts totaled $245,336, all of which was insured by the FDIC. At June 30, 2014, the carrying amount of the Group's accounts was $159,952 and the bank balance was $240,625, all of which was insured by the FDIC.

Cash in County Treasury: The Group maintains substantially all of its cash in the Santa Clara County Treasury. The County pools these funds with those of other public agencies in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Because the Group's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Group's share of the 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. In accordance with authorized investment laws, the Santa Clara County Treasurer may invest in derivative securities to enhance the yield on the portfolio. However, at June 30, 2015, the Santa Clara County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

(Continued)

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Local Agency Investment Fund: The Group places certain funds with the State of California's Local Agency Investment Fund (LAIF). The Group is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of the Group's investment in the pool is reported in the accompanying financial statements based upon the group's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). 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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2015, this Fund was yielding approximately 0.28 % interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Investment Interest Rate Risk: The Group's investment policy limits investment maturities to 5 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk: The Group's investment policy limits investment choices to obligations of the United States Treasury, its agencies and instrumentalities, California state obligations, medium term notes that rate at least A or equivalent by a NRSRO, and prime commercial paper with maturities not exceeding 270 days with the highest ranking or of the highest letter and number rating as provided by a NRSRO, bankers' acceptances and repurchase agreements. As of June 30, 2015 and 2014, the Group did not hold any investments.

Concentration of Investment Credit Risk: The Group places limits on the amount it may invest in any one issuer, of 25% maximum by type (with no limits on U.S. Government Securities), no more than 10% in commercial paper and bankers' acceptances, and no more than 5% in medium term notes.

NOTE 3 – PREFUND DEPOSITS

This balance represents amounts on deposit with the claims administrators that are used for the payment of claims to beneficiaries. Balances as of June 30, 2015 and 2014 were as follows:

	2015	2014
Vision Service Plan	$ 168,974	$ 314,897
Delta Dental Coalition	1,709,291	1,596,987
Total prefund deposits	$ 1,878,265	$ 1,911,884

(Continued)

NOTE 4 – SAFETY CREDIT LIABILITY

Safety credits are treated as a liability to member entities. Participation in the program is optional. During the years ended June 30, 2015 and 2014, the Group maintained accounts for 13 member entities.

The safety credit balance of the participating members as of June 30, 2015 and 2014 are as follows:

	2015	2014
Berryessa Union School District	$ 26,485	$ 18,721
Cambrian School District	5,237	5,237
Campbell Union School District	7,647	7,647
East Side Union High School District	145,361	118,726
Franklin-McKinley School District	45,911	19,012
Los Altos School District	127,450	117,986
Los Gatos-Saratoga Joint Union School District	34,363	13,328
Luther Burbank School District	28,209	24,386
Metropolitan Education District	161	2,907
Milpitas Unified School District	115	115
Moreland Elementary School District	41,767	14,629
Oak Grove School District	31,623	30,313
Sunnyvale School District	37,144	26,498
Total	$ 531,473	$ 399,505

NOTE 5 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, the Group 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, 2015 and 2014:

	2015	2014
Unpaid claims and claim adjustment expenses, beginning of fiscal year	$ 4,422,842	$ 4,727,968
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	9,639,773	10,334,909
Change in provision for unallocated loss adjustment expense	(51,720)	(68,514)
Change in provision for covered events of prior years	(798,278)	(444,247)
Total incurred claims and claim adjustment expenses	8,789,775	9,822,148
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	8,494,109	8,939,940
Claims and claims adjustment expenses attributable to covered events of prior years	1,082,012	1,187,334
Total payments	9,576,121	10,127,274
Total unpaid claims and claim adjustment expenses, end of fiscal year	$ 3,636,496	$ 4,422,842

(Continued)

NOTE 5 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES (Continued)

The components of the Group's unpaid claims and claim adjustment expenses as of June 30, 2015 and 2014 were as follows:

	2015	2014
Claims reserves	$ 1,710,107	$ 2,272,175
Claims incurred but not reported (IBNR)	1,616,440	1,861,125
Unallocated loss adjustment expenses (ULAE)	309,949	289,542
	$ 3,636,496	$ 4,422,842

The current and long-term portions were $ 1,455,000 and $2,181,496, respectively, as of June 30, 2015 and were $1,766,000 and $2,656,842, respectively, as of June 30, 2014. These liabilities for the Workers' Compensation, Property and Liability programs were reported at their present value using a discount rate of 2 percent for the years ended June 30, 2015 and 2014, respectively. The undiscounted liabilities were $3,713,425 and $4,573,146 at June 30, 2015 and 2014, respectively.

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

Plan Description: The Group contributes to the Miscellaneous 2% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) California Employers Retirement Fund C (PERF C), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan ("the 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 are 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 financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf.

Benefits provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years 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, 2015 were as follows:

Members – The member contribution rate was 10.438 percent of applicable member earnings for fiscal year 2014-15.

Employers – The employer contribution rate was 11.961 percent of applicable member earnings.

For the years ended June 30, 2015, 2014 and 2013, the Group's annual pension cost and contributions to the plan were $51,103, $50,061, and $50,034, respectively, and equal 100% of the required contributions for each year.

(Continued)

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM (Continued)

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

At June 30, 2015, the Group reported a liability of $359,786 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The Group's proportion of the net pension liability was based on the Group's share of contributions to the pension plan relative to the contributions of all participating agencies. At June 30, 2014, the Group's proportion was 0.015 percent, which was an increase of .001 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Group recognized pension expense of $51,103. At June 30, 2015, the Group 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
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	86,878
Changes in proportion and differences between Group contributions and proportionate share of contributions	-	10,216
Contributions made subsequent to measurement date	51,103	-
Total	$ 51,103	$ 97,094

$51,103 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30,	
2016	$ 25,125
2017	$ 25,125
2018	$ 25,125
2019	$ 21,720

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM (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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 1996, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, 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.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the Group.

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.

(Continued)

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM (Continued)

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 Group's proportionate share of the net pension liability to changes in the discount rate. The following presents the Group's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Group's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Group's proportionate share of the net pension liability	$ 628,031	$ 359,786	$ 137,169

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

NOTE 7 – GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Salaries and benefits	$ 547,587	$ 596,551
Consultants	111,135	85,069
Travel/Conference/Meeting	124,408	67,372
Rent/Lease	56,388	59,050
Office expenses	40,666	53,465
Depreciation expense	-	4,084
Dues/Publications/Memberships	1,086	5,768
Legal	2,929	2,917
Total	$ 884,199	$ 874,276

NOTE 8 – OPERATING LEASES

The Group has entered into an operating lease for the years ended June 30, 2015 and 2014. The Group pays office rent on a monthly basis. Total rent paid to Franklin-McKinley School District for the years ending June 30, 2015 and 2014 was $56,388 and $55,308, respectively. No amounts were due to Franklin-McKinley School District as of June 30, 2015.

(Continued)

NOTE 9 – JOINT POWERS AGREEMENTS

The Group is a member in three separate joint powers authorities (collectively, the “JPAs”) under joint powers agreements with Protected Insurance Program for Schools Joint Powers Authority (PIPS), Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Excess Liability Fund (SELF). The relationship between the Group and the JPAs are such that the JPAs are not component units of the Group for financial reporting purposes.

PIPS arranges for and provides excess workers' compensation from $0 to $150,000,000. ASCIP arranges for and provides excess property/liability coverage from $100,000/100,000 to $500,000,000/5,000,000. SELF arranges for and\ provides excess liability coverage from $5,000,000 to $25,000,000. The JPAs are each governed by a board consisting of a representative from each of their respective member districts. These boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member pays a contribution commensurate with the level of coverage requested. There have been no significant reductions in insurance coverage, from the coverage provided in the prior year.

Condensed financial information for PIPS and ASCIP for the fiscal year ended June 30, 2014 (the latest information available) and SELF for the fiscal year ended June 30, 2015 is as follows:

	PIPS	ASCIP	SELF
Total assets	$ 101,635,390	$ 295,431,234	$ 154,727,271
Total deferred outflows	-	-	99,437
Total liabilities	89,564,503	160,686,476	122,470,926
Total deferred inflows	-	-	166,153
Total net position	$ 12,070,887	$ 134,744,758	$ 32,189,629
Revenues	$ 18,271,889	$ 204,148,840	$ 11,968,752
Expenses	22,602,717	193,787,486	23,063,637
Change in net position	$ (4,330,828)	$ 10,361,354	$ (11,094,885)

NOTE 10 – CONTINGENCIES

The Group is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Group.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
WORKERS' COMPENSATION PROGRAM
For the Years Ended June 30, 2015 and 2014

	2015	2014
Unpaid claims and claim adjustment expenses, beginning of year	$ 2,136,450	$ 2,474,026
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	-	-
Change in provision for unallocated loss adjustment expense	25,912	(69,344)
Change in provision for covered events of prior years	27,333	41,686
Total incurred claims and claim adjustment expenses	53,245	(27,658)
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	-	-
Claims and claims adjustment expenses attributable to covered events of prior years	241,263	309,918
Total payments	241,263	309,918
Total unpaid claims and claim adjustment expenses, end of year	$ 1,948,432	$ 2,136,450

The components of the unpaid claims and claim adjustment expenses as of June 30, 2015 and 2014 were as follows:

	2015	2014
Claims reserves	$ 1,506,841	$ 1,658,878
Claims incurred but not reported (IBNR)	165,012	226,905
Unallocated loss adjustment expenses (ULAE)	276,579	250,667
	$ 1,948,432	$ 2,136,450

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
PROPERTY/LIABILITY PROGRAM
For the Years Ended June 30, 2015 and 2014

	2015	2014
Unpaid claims and claim adjustment expenses, beginning of year	$ 1,630,273	$ 1,615,370
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	711,108	855,659
Change in provision for unallocated loss adjustment expense	-	-
Change in provision for covered events of prior years	(825,611)	(485,933)
Total incurred claims and claim adjustment expenses	(114,503)	369,726
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	101,527	24,134
Claims and claims adjustment expenses attributable to covered events of prior years	299,159	330,689
Total payments	400,686	354,823
Total unpaid claims and claim adjustment expenses, end of year	$ 1,115,084	$ 1,630,273

The components of the unpaid claims and claim adjustment expenses as of June 30, 2015 and 2014 were as follows:

2015	2014	
Claims reserves	$ 203,266	$ 613,297
Claims incurred but not reported (IBNR)	911,818	1,016,976
	$ 1,115,084	$ 1,630,273

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
VISION PROGRAM
For the Years Ended June 30, 2015 and 2014

	2015	2014
Unpaid claims and claim adjustment expenses, beginning of year	$ 52,442	$ 55,072
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	993,049	1,005,804
Change in provision for unallocated loss adjustment expense	372	(282)
Change in provision for covered events of prior years	-	-
Total incurred claims and claim adjustment expenses	993,421	1,005,522
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	956,845	958,035
Claims and claims adjustment expenses attributable to covered events of prior years	36,325	50,117
Total payments	993,170	1,008,152
Total unpaid claims and claim adjustment expenses, end of year	$ 52,693	$ 52,442

The components of the unpaid claims and claim adjustment expenses as of June 30, 2015 and 2014 were as follows:

	2015	2014
Claims incurred but not reported (IBNR)	$ 47,195	$ 46,823
Unallocated loss adjustment expenses (ULAE)	5,498	5,619
	$ 52,693	$ 52,442

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
DENTAL PROGRAM
For the Years Ended June 30, 2015 and 2014

	2015	2014
Unpaid claims and claim adjustment expenses, beginning of year	$ 603,677	$ 583,500
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	7,935,616	8,473,446
Change in provision for unallocated loss adjustment expense	(78,004)	1,112
Change in provision for covered events of prior years		-
Total incurred claims and claim adjustment expenses	7,857,612	8,474,558
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	7,435,737	7,957,771
Claims and claims adjustment expenses attributable to covered events of prior years	505,265	496,610
Total payments	7,941,002	8,454,381
Total unpaid claims and claim adjustment expenses, end of year	$ 520,287	$ 603,677

The components of the unpaid claims and claim adjustment expenses as of June 30, 2015 and 2014 were as follows:

	2015	2014
Claims incurred but not reported (IBNR)	$ 492,415	$ 570,421
Unallocated loss adjustment expenses (ULAE)	27,872	33,256
	$ 520,287	$ 603,677

See independent auditor’s report.

The tables that follow illustrate how the Group's earned revenues (net of excess insurance) and investment income compared 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 deposit and reported investment revenue, amounts of excess insurance premiums paid, and reported premiums (net of reinsurance) and reported investment revenue.

(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 excess insurers, 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 fiscal year).

(4) Cumulative net amounts paid as of the end of successive years for each fiscal year.

(5) Latest reestimated amount of losses assumed by the excess insurers for each fiscal year.

(6) Each fiscal year's net incurred losses increases or decreases as of the end of successive years. This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.

(7) Compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual fiscal years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature fiscal years.

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

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
PROPERTY/LIABILITY PROGRAM
June 30, 2015

	For Policy Years Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Premiums and investment revenue:										
Earned	$ 3,867,335	$ 4,528,681	$ 4,541,694	$ 3,441,380	$ 3,530,512	$ 3,655,313	$ 3,512,159	$ 3,710,308	$ 3,818,009	$ 3,836,010
Ceded	(2,149,181)	(2,412,034)	(2,587,488)	(1,845,858)	(2,012,239)	(2,145,887)	(2,124,616)	(2,339,751)	(2,509,098)	(2,665,056)
Net earned	$ 1,718,154	$ 2,116,647	$ 1,954,206	$ 1,595,522	$ 1,518,273	$ 1,509,426	$ 1,387,543	$ 1,370,557	$ 1,308,911	$ 1,170,954
2. Unallocated expenses	$ 468,898	$ 508,076	$ 313,833	$ 264,481	$ 254,074	$ 231,477	$ 297,291	$ 309,281	$ 317,226	355,662
3. Estimated losses and expense end of fiscal year:										
Incurred	$ 1,059,873	$ 1,025,968	$ 1,073,072	$ 1,029,786	$ 902,306	$ 1,059,130	$ 891,636	$ 894,740	$ 855,659	$ 711,108
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 1,059,873	$ 1,025,968	$ 1,073,072	$ 1,029,786	$ 902,306	$ 1,059,130	$ 891,636	$ 894,740	$ 855,659	$ 711,108
4. Net paid (cumulative) as of:										
End of fiscal year	$ 160,171	$ 350,371	$ 364,616	$ 395,698	$ 170,274	$ 499,345	$ 51,205	$ 80,642	$ 24,134	$ 101,527
One year later	$ 615,732	$ 509,394	$ 543,260	$ 475,125	$ 781,592	$ 751,378	$ 188,815	$ 151,315	$ 198,083	
Two years later	$ 709,040	$ 635,472	$ 692,065	$ 488,922	$ 1,039,695	$ 718,749	$ 252,651	$ 286,902		
Three years later	$ 722,617	$ 692,178	$ 780,528	$ 520,714	$ 1,180,048	$ 829,838	$ 316,711			
Four years later	$ 739,305	$ 682,285	$ 788,936	$ 529,804	$ 1,248,625	$ 870,825				
Five years later	$ 749,716	$ 681,576	$ 788,936	$ 528,148	$ 1,308,911					
Six years later	$ 761,922	$ 688,332	$ 786,321	$ 542,893						
Seven years later	$ 761,922	$ 658,360	$ 789,910							
Eight years later	$ 761,922	$ 685,252								
Nine years later	$ 767,278									
5. Reestimated ceded losses and expenses	$ -	$ 13,897	$ 1,536	$ 11,724	$ 7,242	$ 1,500	$ -	$ -	$ -	$ -
6. Reestimated net incurred losses and expenses:										
End of fiscal year	$ 1,059,873	$ 1,025,968	$ 1,073,072	$ 1,029,786	$ 902,306	$ 1,059,130	$ 891,636	$ 894,740	$ 855,659	$ 711,108
One year later	$ 932,705	$ 1,020,173	$ 1,000,910	$ 841,777	$ 1,274,188	$ 927,575	$ 501,617	$ 556,726	$ 408,256	
Two years later	$ 841,785	$ 876,060	$ 850,706	$ 605,387	$ 1,193,016	$ 1,055,464	$ 425,872	$ 513,769		
Three years later	$ 767,828	$ 798,635	$ 801,564	$ 538,568	$ 1,315,892	$ 943,492	$ 385,174			
Four years later	$ 758,380	$ 704,182	$ 788,956	$ 545,715	$ 1,354,259	$ 870,825				
Five years later	$ 780,420	$ 681,576	$ 788,936	$ 528,976	$ 1,308,911					
Six years later	$ 761,922	$ 688,332	$ 786,321	$ 542,893						
Seven years later	$ 761,922	$ 658,360	$ 789,910							
Eight years later	$ 761,922	$ 685,252								
Nine years later	$ 767,278									
7. (Decrease) increase in estimated net incurred losses and expenses from end of fiscal year	$ (292,595)	$ (340,716)	$ (283,162)	$ (486,893)	$ 406,605	$ (188,305)	$ (506,642)	$ (380,971)	$ (447,043)	$ -

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
VISION PROGRAM
June 30, 2015

	For Policy Years Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Premiums and investment revenue:										
Earned	$ 1,196,294	$ 1,270,733	$ 1,324,691	$ 1,339,523	$ 1,323,888	$ 1,327,674	$ 1,312,818	$ 1,269,012	$ 1,319,909	$ 1,268,527
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	$ 1,196,294	$ 1,270,733	$ 1,324,691	$ 1,339,523	$ 1,323,888	$ 1,327,674	$ 1,312,818	$ 1,269,012	$ 1,319,909	$ 1,268,527
2. Unallocated expenses	$ 145,836	$ 170,807	$ 165,650	$ 170,265	$ 172,620	$ 167,839	$ 171,170	$ 162,748	$ 164,632	$ 164,720
3. Estimated losses and expense end of fiscal year:										
Incurred	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,145,800	$ 1,077,716	$ 1,005,804	$ 993,049
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,145,800	$ 1,077,716	$ 1,005,804	$ 993,049
4. Net paid (cumulative) as of:										
End of fiscal year	$ 970,634	$ 1,017,282	$ 1,041,120	$ 1,096,971	$ 1,109,824	$ 1,074,620	$ 1,091,611	$ 1,029,770	$ 958,035	$ 956,845
One year later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,143,054	$ 1,077,716	$ 994,238	
Two years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,143,054	$ 1,077,716		
Three years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,143,054			
Four years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424				
Five years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580					
Six years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813						
Seven years later	$ 1,021,898	$ 1,081,119	$ 1,099,220							
Eight years later	$ 1,021,898	$ 1,081,119								
Nine years later	$ 1,021,898									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated net incurred losses and expenses:										
End of fiscal year	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,145,800	$ 1,077,716	$ 1,005,804	$ 993,049
One year later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,145,800	$ 1,077,716	$ 1,005,804	
Two years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,145,800	$ 1,077,716		
Three years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424	$ 1,145,800			
Four years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580	$ 1,125,424				
Five years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813	$ 1,154,580					
Six years later	$ 1,021,898	$ 1,081,119	$ 1,099,220	$ 1,145,813						
Seven years later	$ 1,021,898	$ 1,081,119	$ 1,099,220							
Eight years later	$ 1,021,898	$ 1,081,119								
Nine years later	$ 1,021,898									
7. (Decrease) increase in estimated net incurred losses and expenses from end of fiscal year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
DENTAL PROGRAM
June 30, 2015

	For Policy Years Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Premiums and investment revenue:										
Earned	$ 7,778,979	$ 8,132,594	$ 8,261,884	$ 8,276,185	$ 8,156,797	$ 9,214,681	$ 9,234,736	$ 9,492,264	$ 9,861,779	$ 9,416,390
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	$ 7,778,979	$ 8,132,594	$ 8,261,884	$ 8,276,185	$ 8,156,797	$ 9,214,681	$ 9,234,736	$ 9,492,264	$ 9,861,779	$ 9,416,390
2. Unallocated expenses	$ 509,179	$ 593,757	$ 578,046	$ 576,308	$ 601,020	$ 676,745	$ 659,131	$ 604,255	$ 626,879	$ 572,170
3. Estimated losses and expense end of fiscal year:										
Incurred	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183	$ 8,120,455	$ 8,473,446	$ 7,935,616
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183	$ 8,120,455	$ 8,473,446	$ 7,936,616
4. Net paid (cumulative) as of:										
End of fiscal year	$ 5,895,144	$ 6,065,284	$ 6,450,181	$ 6,624,183	$ 6,463,228	$ 7,405,575	$ 7,290,856	$ 7,773,282	$ 7,957,771	$ 7,435,737
One year later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183	$ 8,120,455	$ 8,473,446	
Two years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183	$ 8,120,455		
Three years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183			
Four years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929				
Five years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538					
Six years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148						
Seven years later	$ 6,628,035	$ 6,721,640	$ 7,104,135							
Eight years later	$ 6,628,035	$ 6,721,640								
Nine years later	$ 6,628,035									
5. Reestimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated net incurred losses and expenses:										
End of fiscal year	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183	$ 8,120,455	$ 8,473,446	$ 7,935,616
One year later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183	$ 8,120,455	$ 8,473,446	
Two years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183	$ 8,120,455		
Three years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929	$ 8,442,183			
Four years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538	$ 8,673,929				
Five years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148	$ 7,512,538					
Six years later	$ 6,628,035	$ 6,721,640	$ 7,104,135	$ 7,140,148						
Seven years later	$ 6,628,035	$ 6,721,640	$ 7,104,135							
Eight years later	$ 6,628,035	$ 6,721,640								
Nine years later	$ 6,628,035									
7. (Decrease) increase in estimated net incurred losses and expenses from end of fiscal year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

See independent auditor’s report.

Public Employer's Retirement Fund C
Last 10 Fiscal Years

		2015
Group's proportion of the net pension liability		0.015%
Group's proportionate share of the net pension liability	$	359,786
Group's covered-employee payroll	$	343,882
Group's proportionate share of the net pension liability as a percentage of its covered-employee payroll		78.66%
Plan fiduciary net position as a percentage of the total pension liability		76.94%

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

All years prior to 2015 are not available.

Public Employer's Retirement Fund C
Last 10 Fiscal Years

		2015
Contractually required contribution	$	50,061
Contributions in relation to the contractually required contribution		(50,061)
Contribution deficiency (excess)	$	-
SCCSIG's covered-employee payroll	$	318,000
Contributions as a percentage of covered-employee payroll		15.74%

All years prior to 2015 are not available. All years prior to 2015 are not available.

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: There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
COMBINING STATEMENT OF NET POSITION
June 30, 2015

	Workers' Compen- sation	Property and Liability	Medical	Vision	Dental	2015 Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 2,598,520	$ 5,841,208	$ 143,123	$ 706,931	$ 5,056,059	$ 14,345,841
Prefund deposits	-	-	-	168,974	1,709,291	1,878,265
Accounts receivable:						
Members	1,369,898	150,781	-	-	-	1,520,679
Excess insurance	18,476	-	-	-	-	18,476
Interest	9,193	7,663	447	672	672	18,647
Other	657	-	-	-	-	657
Total assets	3,996,744	5,999,652	143,570	876,577	6,766,022	17,782,565
DEFERRED OUTFLOW OF RESOURCES						
Deferred outflow of resources – pension	25,194	21,003	1,226	1,840	1,840	51,103
LIABILITIES						
Current liabilities:						
Accounts payable	41,287	3,506	1,701	462	463	47,419
Payroll payable	8,520	5,615	215	287	290	14,927
Insurance premiums payable	1,079,165	-	-	-	-	1,079,165
Safety credits	531,473	-	-	-	-	531,473
Net pension liability	177,374	147,872	8,635	12,952	12,953	359,786
Current portion of unpaid claims and claim adjustment expenses	779,775	446,034	-	21,077	208,114	1,455,000
Total current liabilities	2,617,594	603,027	10,551	34,778	221,820	3,487,770
Unpaid claims and claim adjustment expenses, less current portion	1,168,658	669,050	-	31,616	312,172	2,181,496
Total liabilities	3,786,252	1,272,077	10,551	66,394	533,992	5,669,266
DEFERRED INFLOW OF RESOURCES						
Deferred inflow of resources – pension	47,862	39,906	2,330	3,497	3,499	97,094
NET POSITION						
Net position – unrestricted	$ 187,824	$ 4,708,672	$ 131,915	$ 808,526	$ 6,230,371	$ 12,067,308

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
COMBINING STATEMENT OF NET POSITION
June 30, 2014

	Workers' Compen-sation	Property and Liability	Medical	Vision	Dental	2014 Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 2,396,769	$ 7,205,485	$ 64,781	$ 449,857	$ 4,263,561	$ 14,380,453
Prefund deposits	-	-	-	314,897	1,596,987	1,911,884
Accounts receivable:						
Members	1,055,255	23,350	-	-	-	1,078,605
Excess insurance	38,203	-	-	-	-	38,203
Interest	6,115	5,163	950	679	679	13,586
Other	656	525	-	-	-	1,181
Prepaid expenses	7,475	6,202	937	912	1,977	17,503
Total current assets	3,504,473	7,240,725	66,668	766,345	5,863,204	17,441,415
Furniture, equipment and computer hardware/software, net	10,991	-	-	-	-	10,991
Total assets	3,515,464	7,240,725	66,668	766,345	5,863,204	17,452,406
LIABILITIES						
Current liabilities:						
Accounts payable	38,351	25,734	2,031	1,451	1,451	69,018
Payroll payable	19,937	10,894	1,904	1,360	1,360	35,455
Dividends payable	45,000	1,647,073	-	-	-	1,692,073
Insurance premiums payable	716,256	-	-	-	-	716,256
Safety credits	399,505	-	-	-	-	399,505
Current portion of unpaid claims and claim adjustment expenses	250,000	910,000	-	46,000	560,000	1,766,000
Total current liabilities	1,469,049	2,593,701	3,935	48,811	562,811	4,678,307
Unpaid claims and claim adjustment expenses less current portion	1,886,450	720,273	-	6,442	43,677	2,656,842
Total liabilities	3,355,499	3,313,974	3,935	55,253	606,488	7,335,149
NET POSITION						
Net position:						
Net investment in capital assets	10,991	-	-	-	-	10,991
Unrestricted	148,974	3,926,751	62,733	711,092	5,256,716	10,106,266
Total net position	$ 159,965	$ 3,926,751	$ 62,733	$ 711,092	$ 5,256,716	$ 10,117,257

See independent auditor’s report.

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	Workers' Compen-sation	Property and Liability	Medical	Vision	Dental	2015 Total
Operating revenues:						
Member contributions	$ 15,971,742	$ 3,812,539	$ 52,983	$ 1,265,438	$ 9,413,302	$ 30,516,004
Safety credits	304,295	-	-	-	-	304,295
Other	421,924	-	92,788	-	-	514,712
Total operating revenues	16,697,961	3,812,539	145,771	1,265,438	9,413,302	31,335,011
Expenses:						
Provision for claims and claim adjustment expenses	53,245	(114,502)	-	993,420	7,857,612	8,789,775
Excess insurance premiums	15,631,871	2,665,056	-	-	-	18,296,927
Safety credits	329,115	-	-	-	-	329,115
Claims administration	65,877	-	40,000	134,166	546,881	786,924
General and administrative expenses	440,415	355,663	32,278	30,554	25,289	884,199
Total operating expenses	16,520,523	2,906,217	72,278	1,158,140	8,429,782	29,086,940
Operating income	177,438	906,322	73,493	107,298	983,520	2,248,071
Non-operating revenues:						
Investment income	27,795	23,471	4,324	3,088	3,088	61,766
Change in net position	205,233	929,793	77,817	110,386	986,608	2,309,837
Net position, beginning of year	159,965	3,926,751	62,733	711,092	5,256,716	10,117,257
Cumulative effect of GASB 68 implementation	(177,374)	(147,872)	(8,635)	(12,952)	(12,953)	(359,786)
Net position, beginning of year, as restated	(17,409)	3,778,879	54,098	698,140	5,243,763	9,757,471
Net position, end of year	$ 187,824	$ 4,708,672	$ 131,915	$ 808,526	$ 6,230,371	$ 12,067,308

(Continued)

SANTA CLARA COUNTY SCHOOLS' INSURANCE GROUP
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2015 and 2014

	Workers' Compen-sation	Property and Liability	Medical	Vision	Dental	2014 Total
Operating revenues:						
Member contributions	$ 14,441,226	$ 3,789,407	$ 41,076	$ 1,318,210	$ 9,845,255	$ 29,435,174
Safety credits	290,660	-	-	-	-	290,660
Other	408,949	-	-	-	-	408,949
Total operating revenues	15,140,835	3,789,407	41,076	1,318,210	9,845,255	30,134,783
Expenses:						
Provision for claims and claim adjustment expenses	(27,658)	369,726	-	1,005,522	8,474,558	9,822,148
Excess insurance premiums	13,975,187	2,509,098	-	-	-	16,484,285
Safety credits	290,660	-	-	-	-	290,660
Claims administration	-	-	-	138,477	599,330	737,807
General and administrative expenses	434,071	317,226	70,105	26,437	26,437	874,276
Total operating expenses	14,672,260	3,196,050	70,105	1,170,436	9,100,325	28,209,176
Operating income (loss)	468,575	593,357	(29,029)	147,774	744,930	1,925,607
Non-operating revenues (expenses):						
Investment income	9,023	28,600	320	1,698	16,522	56,163
Dividends to members	(45,000)	(1,647,073)	-	-	-	(1,692,073)
Total non-operating (expenses) revenues	(35,977)	(1,618,473)	320	1,698	16,522	(1,635,910)
Change in net position	432,598	(1,025,116)	(28,709)	149,472	761,452	289,697
Net position, beginning of year	(272,633)	4,951,867	91,442	561,620	4,495,264	9,827,560
Net position, end of year	$ 159,965	$ 3,926,751	$ 62,733	$ 711,092	$ 5,256,716	$ 10,117,257

See independent auditor’s report.

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

To the Board of Directors and Members
Santa Clara County Schools' Insurance Group
San Jose, 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 Santa Clara County Schools' Insurance Group as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Santa Clara County Schools' Insurance Group's financial statements and have issued our report thereon dated December 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Clara 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 Santa Clara County Schools' Insurance Group's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Clara 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 Santa Clara 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 Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 4, 2015