

**SCHOOLS EXCESS LIABILITY FUND**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED JUNE 30, 2025 AND 2024**

# SCHOOLS EXCESS LIABILITY FUND

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## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinion***

We have audited the accompanying financial statements of Schools Excess Liability Fund (SELF) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise SELF's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SELF as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, reconciliation of claims liabilities by type of contract, claims development information, schedule of SELF's proportionate share of the net pension liability, and schedule of contributions on pages 4-9 and 30-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SELF's basic financial statements. The accompanying combining statements of net position and of revenues, expenses and change in net position, and the CERC - Statements of Cash Flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of net position and revenues, expenses and change in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of SELF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SELF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SELF's internal control over financial reporting and compliance.



**GILBERT CPAs  
Sacramento, California**

**January 30, 2026**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Schools Excess Liability Fund Management's Discussion and Analysis Fiscal Year 2024 and 2025



Schools Excess Liability Fund (SELF) was established March 1, 1986 by a Joint Powers Agreement to provide mutual risk pooling for public educational agencies in California. Under such an agreement, two or more public agencies may jointly exercise any power common to the contracting parties. SELF has two programs, the Excess Liability (XL) Program, with coverage from 1986 through today, and the Excess Workers' Compensation (XCW) Program, with coverage on claims incurred between July 1, 1989 and June 30, 2010. SELF formed a captive insurance company, California Education Reinsurance Company (CERC), a blended component unit. CERC is domiciled in and subject to the Utah Department of Insurance regulations. The Excess Workers' Compensation Program claims liabilities as of July 1, 2023 were transferred to the captive in a Loss Portfolio Transfer. SELF continues to administer the claims.

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

## ***Mission Statement***

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

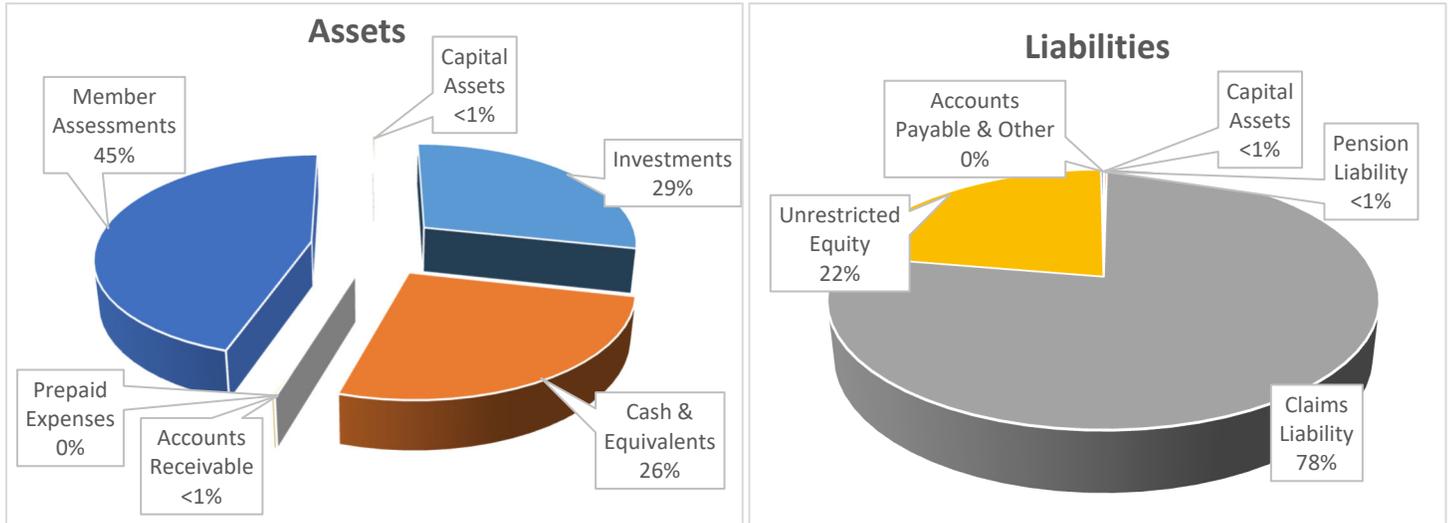
## ***Overview of the Financial Statements***

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

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, and Statement of Cash Flows, for the combined operations of SELF for the fiscal years ended June 30, 2025 and 2024. The notes to the basic financial statements are an integral part of the basic financial statements and provide details on SELF membership, accounting policies, claims liabilities, and other information in the statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements and other supplementary information such as combining financial statements for the fiscal year ended June 30, 2025 and 2024.

## Schools Excess Liability Fund Management’s Discussion and Analysis Fiscal Year 2024 and 2025



### **Financial Highlights – Statement of Net Position:**

The Statement of Net Position shows the balances in assets, deferred outflows of resources, liabilities, and deferred inflows of resources, by program separated by current, long-term, and capital assets. Investments, cash and cash equivalents account for 55% of all assets. Total investments, cash & cash equivalents have increased 51% from the prior year.

The majority of assets are held to fund the claims liabilities, which account for 99% of all liabilities. Total claims liabilities have increased 87% from June 30, 2024. As of June 30, 2025, 7% of all claim liabilities were current, or expected to be due within one year, while the majority is expected to be non-current due to the nature of excess risk pooling.

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

### Schools Excess Liability Fund Statement of Net Position June 30, 2025, June 30, 2024, and June 30, 2023

	Combined Programs					2024/2025	2023/2024	2022/2023
	XL	XWC	Building	CERC	Elimination			
<b>ASSETS</b>								
Current Assets	\$ 320,293	\$ 5,783	\$ 543	\$ 46,147	\$ (10,997)	\$ 361,769	\$ 305,021	\$ 184,720
Non-current Assets	221,884	27,188	-	29,352	(8,624)	269,800	68,634	94,117
Capital Assets	116	-	1,039	-	-	1,155	914	912
<b>Total Assets</b>	<b>542,293</b>	<b>32,971</b>	<b>1,582</b>	<b>75,499</b>	<b>(19,621)</b>	<b>632,724</b>	<b>374,569</b>	<b>279,749</b>
Deferred Outflow of Resources	514	-	-	-	-	514	636	706
<b>LIABILITIES</b>								
Current Liabilities	34,194	5	4	1,429	(20)	35,612	36,303	36,246
Long-term Liabilities	419,267	-	-	47,861	(10,977)	456,151	227,205	205,530
<b>Total Liabilities</b>	<b>453,461</b>	<b>5</b>	<b>4</b>	<b>49,290</b>	<b>(10,997)</b>	<b>491,763</b>	<b>263,508</b>	<b>241,776</b>
Deferred Inflow of Resources	32	-	-	-	-	32	56	104
<b>NET POSITION</b>								
Invested in Capital Assets	116	-	1,039	-	-	1,155	914	912
Capital stock	-	-	-	8,624	(8,624)	-	-	-
Undesignated	89,198	32,966	539	17,585	-	140,288	110,727	37,663
<b>Total Net Position</b>	<b>\$ 89,314</b>	<b>\$ 32,966</b>	<b>\$ 1,578</b>	<b>\$ 26,209</b>	<b>\$ (8,624)</b>	<b>\$ 141,443</b>	<b>\$ 111,641</b>	<b>\$ 38,575</b>

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

# Schools Excess Liability Fund Management's Discussion and Analysis Fiscal Year 2024 and 2025

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

The Statement of Revenues, Expenses & Change in Net Position shows the activity of SELF from July 1, 2024 through June 30, 2025 for the Excess Liability Program (XL), Excess Workers' Compensation Program (XWC), Building Fund, and the CERC along with a comparison with the prior fiscal year's audited financial statements. There are four basic parts to this statement: Operating revenues, Program expenses, General and Administrative expenses, and Non-operating revenues and expenses.

Operating revenues include the general Member Contributions by SELF's members for financing pool-funding requirements and Member Assessments. Excess Liability Member Contributions increased 15% from the prior year. For the year ending June 30, 2025, a member assessment of \$297 million was approved by the Board of Directors to fund liabilities associated with a new law – AB 218. There were no member contributions for the Excess Workers Compensation program, as it is closed. Rental income for the Building Fund is recorded under Non-Operating revenues.

Program expenses are expenses directly related to the program's main function, such as claims indemnity, claim expenses, and reinsurance or excess insurance, accounting for 98% of all expenditures, these were 138% more than the prior year. While member contributions and reinsurance expense are for the fiscal year ending June 30, 2025, the claims and claims adjustment expenses included expenses for new claim reserves, actuarial adjustments, and payments on claims from prior years.

General and Administrative expenses are costs to manage and maintain each program, including in-house claims management, and indirect costs, such as actuarial reports, claims audits, and audit fees, which are required by law. General and Administrative expenses were 2% of total expense and increased 74% from the prior fiscal year.

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

### Schools Excess Liability Fund Statement of Revenues, Expenses & Change in Net Position For the Years Ended June 30, 2025, June 30, 2024 and June 30, 2023

	Combined Programs					2024/2025	2023/2024	2022/2023
	XL	XWC	Building	CERC	Elimination			
<b>Operating Revenue:</b>								
Member Contributions	\$ 63,511	\$ -	\$ -	\$ -	\$ -	\$ 63,511	\$ 55,244	\$ 54,591
Member Assessments	295,802	-	-	-	-	295,802	151,899	-
Contributions for retained risk	-	-	-	20,865	(20,865)	-	-	-
<b>Total Operating Revenues</b>	<b>359,313</b>	<b>-</b>	<b>-</b>	<b>20,865</b>	<b>(20,865)</b>	<b>359,313</b>	<b>207,143</b>	<b>54,591</b>
<b>Program Expenses:</b>								
Provision for Claims & Claims Adj.	291,612	-	-	8,350	-	299,962	113,012	78,061
Commercial Reinsurance Premiums	54,874	-	-	3,375	(20,865)	37,384	28,558	27,366
<b>Total Program Expenses</b>	<b>346,486</b>	<b>-</b>	<b>-</b>	<b>11,725</b>	<b>(20,865)</b>	<b>337,346</b>	<b>141,570</b>	<b>105,427</b>
General & Administrative Expense	7,000	39	185	973	(760)	7,437	4,277	3,102
<b>Total Operating Expenses</b>	<b>353,486</b>	<b>39</b>	<b>185</b>	<b>12,698</b>	<b>(21,625)</b>	<b>344,783</b>	<b>145,847</b>	<b>108,529</b>
<b>Operating Income (Loss)</b>	<b>5,827</b>	<b>(39)</b>	<b>(185)</b>	<b>8,167</b>	<b>760</b>	<b>14,530</b>	<b>61,296</b>	<b>(53,938)</b>
<b>Non-Operating Income / Expense:</b>								
Rental Income	-	-	88	-	-	88	85	77
Interest Income	10,695	1,209	79	3,177	-	15,160	11,680	2,514
Other Income	760	23	1	-	(760)	24	3	36
<b>Total Non-operating Rev. (Exp.)</b>	<b>11,455</b>	<b>1,232</b>	<b>168</b>	<b>3,177</b>	<b>(760)</b>	<b>15,272</b>	<b>11,768</b>	<b>2,627</b>
Transfer-pension liability reconciliation	(149)	149						
<b>Change in Net Position</b>	<b>17,133</b>	<b>1,342</b>	<b>(17)</b>	<b>11,344</b>	<b>-</b>	<b>29,802</b>	<b>73,064</b>	<b>(51,312)</b>
Net Position, Beginning Balance	72,181	31,624	1,595	6,241	-	111,641	38,577	71,042
Capital stock	-	-	-	8,624	(8,624)	-	-	-
Prior Period Adjustment	-	-	-	-	-	-	-	18,846
<b>Net Position, Ending Balance</b>	<b>\$ 89,314</b>	<b>\$ 32,966</b>	<b>\$ 1,578</b>	<b>\$ 26,209</b>	<b>\$ (8,624)</b>	<b>\$ 141,443</b>	<b>\$ 111,641</b>	<b>\$ 38,576</b>

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

# **Schools Excess Liability Fund Management's Discussion and Analysis Fiscal Year 2024 and 2025**

## ***Individual Program Overview:***

### ***Excess Liability:***

The Schools Excess Liability Fund (SELF) was established with the Excess Liability (XL) Program. In November 1985, a group of concerned school business officials met and formed a steering committee to determine the feasibility of establishing a statewide school excess liability pool. They wanted to combat the growing liability insurance crisis and provide public educational agencies with a stable and broad liability coverage product. SELF began offering excess liability coverage March 1, 1986. In 2024/2025, SELF had 567 K-12 and Community College members across the state of California.

In 2024/2025, SELF provided excess liability coverage for claims up to \$55 million, after member's attachment according to their retained limits, through a combination of self-insurance and reinsurance. SELF members have retained limits of \$1 million or \$5 million. Program rates were increased in 2024/25 to continue to address the escalating legal liability and legislative trends statewide, including the passage of AB 218.

Beginning July 1, 2024, SELF participated in a structured reinsurance agreement with CERC. Under this arrangement, the \$5 million excess of \$5 million layer of the programs retained risk for 2024-2025 is exchanged for a fixed premium. This structure allows SELF to efficiently retain and finance risk within its own controlled entity.

As of June 30, 2025, the Excess Liability Program has \$246.3 million in cash and investments available to fund claims, a 67% increase from June 30, 2024. The incurred but not reported increased \$110 million. The program has experienced increased claim frequency and severity which permeated the self-insured layer after years of relatively stable loss development. Further, the reserves increase was driven by the continued emergence of large AB 218 claims.

### ***Excess Workers' Compensation:***

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

During 2023, SELF completed a Loss Portfolio Transfer (LPT) that transferred all remaining worker's compensation liabilities to its captive, the California Education Reinsurance Company (CERC). As a result, the Workers' Compensation Fund no longer holds reserves for active claims; the remaining balances represent residual cash and investments retained pending final Board direction.

As of June 30, 2025, the combined Excess Workers' Compensation Program and CERC accounts has \$99.4 million in cash and investments available to fund claims, a 24% increase from June 30, 2024. In 2024/2025, the program realized a reduction of \$4 million in combined claims reserves and incurred but not reported (IBNR) claims liability and unallocated loss adjustment expense (ULAE).

Open claims were reduced from 177 to 166. This positive trend is a reflection of the efforts SELF has made, in concert with its members, to close open claims and salvage reserves within the XWC Program's layers and to assist members in settling claims prior to piercing these layers.

## Schools Excess Liability Fund Management's Discussion and Analysis Fiscal Year 2024 and 2025



### ***Non-Operating Revenue:***

#### ***Rental Income:***

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

#### ***Investments:***

SELF has \$346.3 million in cash and investments, with \$179.9 million held in investment accounts, as of June 30, 2025. Approximately 48% was liquid in either bank accounts, the California Asset Management Program or the Local Agency Investment Fund. Investments are held in separate investment portfolios for the Excess Liability, Excess Workers' Compensation Programs and the CERC. Each portfolio is managed based on the cash flow needs of the programs. Excess Workers' Compensation investments are generally invested longer term, due to the extended nature of these claims. Both portfolios are managed to maximize yields over time.

## Schools Excess Liability Fund Management's Discussion and Analysis Fiscal Year 2024 and 2025

***Budget versus Actual:***

SELF's annual budget is reviewed by the Finance Committee and approved by the Board of Directors. Actual amounts for the fiscal year versus the adopted budget are included to show SELF's financial performance in relation to the annual plan for the programs. Member Assessments was not budgeted but was adopted during the year. Program Expenses exceeded budgeted amounts due increases in the claims incurred but not reported due to changes in legislation. General and Administrative Expenses were greater than the budgeted amount due to increased legal fees.

**Budget vs. Actual  
For the Year Ended June 30, 2025**

	Budget	Actual	Variance	
			Amount	Percent
Operating Revenues	\$ 69,268	\$ 359,313	\$ 290,045	419%
Program Expenses	(97,835)	(337,346)	(239,511)	-245%
General & Administrative Expenses	(4,422)	(7,437)	(3,015)	-68%
Total Operating Income (Loss)	(32,989)	14,530	47,519	-144%
Non-operating Revenue (Expense)	1,849	15,272	13,423	726%
Change in Net Position	\$ (31,140)	\$ 29,802	\$ 60,942	-196%

**Schools Excess Liability Fund**

**Adopted Budget**

**For the Years Ended June 30, 2025, June 30, 2024, and June 30, 2023**

	XL	Building	2024/2025	2023/2024	2022/2023
Operating Revenues	\$ 69,181	\$ 87	\$ 69,268	\$ 57,346	\$ 47,832
Program Expenses	(97,835)	-	(97,835)	(48,552)	(42,575)
General & Administrative Expense	(4,086)	(336)	(4,422)	(4,080)	(3,599)
Operating Income (Loss)	(32,740)	(249)	(32,989)	4,714	1,658
Total Non-operating Rev/(Exp)	1,849	-	1,849	616	(584)
Change in Net Position	\$ (30,891)	\$ (249)	\$ (31,140)	\$ 5,330	\$ 1,074

***Factors Bearing on the Future:***

The Schools Excess Liability Fund's fiscal year 2025/2026 Operating Budget includes \$75.6 million in Revenue, \$66.6 million in program expense, \$4 million in General and Administrative Expenses, and \$10 million in Non-Operating Revenues, for a increase in Net Position of \$15 million. It was reviewed by the Finance Committee at their May 15, 2025 meeting and approved by the Board of Directors on June 6, 2025.

## **BASIC FINANCIAL STATEMENTS**

# SCHOOLS EXCESS LIABILITY FUND

## STATEMENTS OF NET POSITION JUNE 30, 2025 AND 2024

<b>ASSETS</b>	<b><u>2025</u></b>	<b><u>2024</u></b>
Current assets:		
Cash and cash equivalents	\$ 166,437,897	\$ 148,834,590
Investments	63,668,683	11,346,420
Accounts receivable:		
Member assessments receivable	130,474,874	141,728,011
Interest and other	1,117,772	3,059,440
Prepaid expenses	70,841	53,806
Total current assets	<u>361,770,067</u>	<u>305,022,267</u>
Noncurrent assets:		
Investments	116,185,642	68,634,392
Member assessments receivable	153,613,500	
Capital assets, net	1,154,418	914,035
Total noncurrent assets	<u>270,953,560</u>	<u>69,548,427</u>
Total assets	<u>632,723,627</u>	<u>374,570,694</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	<u>514,617</u>	<u>636,320</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	341,048	227,973
Unpaid claims and claim adjustment expenses	<u>35,270,696</u>	<u>36,076,000</u>
Total current liabilities	<u>35,611,744</u>	<u>36,303,973</u>
Noncurrent liabilities:		
Net pension liability	1,081,255	1,088,752
Unpaid claims and claim adjustment expenses	<u>455,069,768</u>	<u>226,116,170</u>
Total noncurrent liabilities	<u>456,151,023</u>	<u>227,204,922</u>
Total liabilities	<u>491,762,767</u>	<u>263,508,895</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	<u>32,475</u>	<u>57,023</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,154,418	914,035
Unrestricted	<u>140,288,584</u>	<u>110,727,061</u>
Total net position	<u>\$ 141,443,002</u>	<u>\$ 111,641,096</u>

The accompanying notes are an integral part of these financial statements.

# SCHOOLS EXCESS LIABILITY FUND

## STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUE</b>		
Member contributions	\$ 63,510,456	\$ 55,244,841
Member assessments	296,761,879	152,069,138
Less: discounts	<u>(959,772)</u>	<u>(171,059)</u>
Total operating revenues	<u>359,312,563</u>	<u>207,142,920</u>
<b>OPERATING EXPENSES</b>		
Provision for unpaid claims and claim adjustment expenses	299,961,510	113,012,115
Commercial reinsurance premiums	<u>37,384,116</u>	<u>28,557,937</u>
Total direct claims expenses	<u>337,345,626</u>	<u>141,570,052</u>
General and administrative expenses:		
Contract services	4,333,193	1,495,792
Personnel costs	2,187,728	1,956,473
Administrative expenses	686,372	623,880
Building	135,450	105,049
Depreciation	<u>95,345</u>	<u>95,116</u>
Total general and administrative	<u>7,438,088</u>	<u>4,276,310</u>
Total operating expenses	<u>344,783,714</u>	<u>145,846,362</u>
Operating income	<u>14,528,849</u>	<u>61,296,558</u>
<b>NON-OPERATING REVENUES</b>		
Investment income	15,160,409	11,680,844
Rental income	88,806	85,134
Other income	<u>23,842</u>	<u>2,482</u>
Total non-operating revenues	<u>15,273,057</u>	<u>11,768,460</u>
Change in net position	29,801,906	73,065,018
Net position, beginning of year	<u>111,641,096</u>	<u>38,576,078</u>
Net position, end of year	<u>\$ 141,443,002</u>	<u>\$ 111,641,096</u>

The accompanying notes are an integral part of these financial statements.

# SCHOOLS EXCESS LIABILITY FUND

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members and others	\$ 218,797,992	\$ 102,297,611
Cash received from reinsurance	43,593,143	51,026,500
Cash paid for claims and settlements	(71,813,216)	(90,133,289)
Cash paid for claims in excess layer	(43,593,143)	(50,061,896)
Cash paid for reinsurance premiums	(37,384,116)	(28,557,937)
Cash paid to suppliers for goods and services	(5,069,364)	(3,523,193)
Cash paid for employees services	(2,087,681)	(1,802,542)
Net cash provided (used) by operating activities	<u>102,443,615</u>	<u>(20,754,746)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Rental income received	112,648	87,616
Purchase of capital assets	(335,728)	(96,779)
Net cash used by capital and related financing activities	<u>(223,080)</u>	<u>(9,163)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Securities purchased	(146,687,968)	(20,182,087)
Securities sold and matured	50,268,056	24,258,805
Interest received	11,802,684	9,701,433
Net cash provided (used) by investing activities	<u>(84,617,228)</u>	<u>13,778,151</u>
Net increase (decrease) in cash and cash equivalents	17,603,307	(6,985,758)
Cash and cash equivalents, beginning of year	<u>148,834,590</u>	<u>155,820,348</u>
Cash and cash equivalents, end of year	<u>\$ 166,437,897</u>	<u>\$ 148,834,590</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 14,528,849	\$ 61,296,558
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	95,345	95,116
(Increase) decrease in:		
Member assessments receivable	(142,360,363)	(102,975,026)
Interest and other receivables	1,845,792	(905,679)
Prepaid expenses	(17,035)	(21,799)
Deferred outflows of resources	121,703	69,816
Increase (decrease) in:		
Accounts payable and accrued expenses	113,075	(1,277,140)
Unpaid claims and claim adjustment expenses	228,148,294	22,878,826
Net pension liability	(7,497)	131,850
Deferred inflows of resources	(24,548)	(47,268)
Net cash provided (used) by operating activities	<u>\$ 102,443,615</u>	<u>\$ (20,754,746)</u>
<b>NONCASH INVESTING ACTIVITIES:</b>		
Net increase in fair value of investments	<u>\$ 3,801,540</u>	<u>\$ 1,887,801</u>

The accompanying notes are an integral part of these financial statements.

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General

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

In July 2022 SELF formed a captive insurance company, California Education Reinsurance Company Inc. (CERC, or the Captive), domiciled in the State of Utah. The captive insurance company is a wholly-owned subsidiary of SELF. As an insurance company it can invest in a more diversified portfolio, including equities, and for a duration that more closely matches SELF's long-term liabilities.

#### Captive Insurance Company and Related-Party Reinsurance

CERC is incorporated as a nonprofit organization and satisfies the requirements as a pure captive insurance company under the Captive Insurance Companies Act, Chapter 37 of Title 31A of the Utah Code of 1953, as amended.

CERC's primary function serves as a risk financing tool for SELF and its member districts, designed to benefit pool members through a modest discount of the actuarial risk SELF programs are assuming. Ceded risk to the captive depends on the levels of risk determined by the Executive Committee per program and may differ from program year to program year.

During the year ended June 30, 2024, CERC assumed the remaining pooled Workers' Compensation risk from SELF and now provides ongoing administration of the former program through its claims run-out period.

Effective July 1, 2024, CERC was converted from a pure captive to a sponsored captive to allow the creation of separate protected cells. On that date, CERC organized and licensed its first protected cell, SELF Reinsurance Company (SELF Re), as an incorporated cell under Utah law. SELF Re is wholly-owned by SELF and maintains segregated accounts pursuant to its participation agreement. Following CERC's conversion to a sponsored captive, the assumed Workers' Compensation risk from SELF was allocated to SELF Re.

During 2024-2025, SELF entered into a reinsurance agreement with CERC through SELF Re to reinsure the \$5 million excess of \$5 million liability layer under SELF's excess liability program. The arrangement was established to retain a portion of SELF's long-term risk within the captive structure, thereby providing greater flexibility in funding and investment management.

On July 1, 2025, CERC established its second protected cell to support participation by another California JPA. Each cell's assets and liabilities are legally segregated and are not available to satisfy obligations of the core or other cells.

For financial reporting purposes, CERC is a blended component unit and the statements and schedules presented in this report include combined figures for both SELF and CERC. Intercompany premium, claim, and balance sheet activity arising from this reinsurance arrangement are eliminated in consolidation for financial reporting purposes.

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

CERC prepares its own separate financial statements, which can be obtained by submitting a formal request in writing to SELF, 1531 I St #300, Sacramento, CA 95814.

### Membership

Under the SELF JPA Agreement, member districts must make a three-year commitment to participate in SELF. Mid-term cancellation or withdrawal is not permitted, and members' annual contributions are due at the beginning of the year. As such, all contributions are recognized evenly over the applicable coverage year. Withdrawing districts are not entitled to receive any equity distribution until five years after withdrawal. There were no amounts held for member withdrawal at June 30, 2025 and 2024.

SELF's Excess Liability Program membership currently consists of approximately 660 educational entities including school districts, county offices of education, community college districts, charter schools, regional occupational programs, and education affiliated joint powers authorities.

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

### Basis of Accounting

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

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

### Excess Liability Program

Since 1986 SELF has provided excess liability coverage to educational agencies in California. The \$5 million × \$5 million layer of the Excess Liability Program was transferred to CERC for the 2024/25 policy year.

<u>Policy Years</u>	<u>Member Retentions</u>	<u>SELF Layer</u>
1986-1989	\$1M	\$1M to \$10M
1989-1990	\$1M	\$1M to \$12.5M
1991	\$1 M	\$1M to \$15 M
1992–2006	\$1M - \$5M	\$1M to \$15M
2007–2008	\$1M - \$5M	\$1M to \$20M
2009	\$1M - \$5M	\$1M to \$25M- Fully Insured
2010–2014	\$1M - \$5M	\$1M to \$25M
2015–2017	\$1M - \$5M	\$1M to \$30M
2018	\$1M - \$5M	\$1M to \$55M
2019-2025	\$1M - \$5M	\$1M to \$54M

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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### Excess Workers' Compensation Program

On July 1, 1989 SELF added excess workers' compensation coverage. 2010 was the last policy year SELF offered excess workers' compensation coverage. This risk has been transferred to CERC.

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

Both the \$5 million × \$5 million layer excess liability layer for the 2024/2025 policy year and the historical excess workers' compensation risk are now housed within SELF RE, the captive cell established under CERC to retain and manage these exposures for SELF.

### Excess Coverage

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

### Cash and Cash Equivalents

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

### Investments

Investments are reported at fair value.

### Capital Assets

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

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

SELF does not believe there to be any impairment of its capital assets at June 30, 2025 and 2024.

### Member Assessment Receivable

SELF's JPA Agreement allows for assessments to address a deficit in program net position. Assessments are based on a pro rata share of each member's contribution for each policy year assessed. In the event that a member fails to meet their payment schedule, the member shall be charged interest of 1% per month.

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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### Unpaid Claims and Claim Adjustment Expenses

SELF's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. SELF increases the liability for allocated and unallocated claim adjustment expenses. Because actual claims costs depend on such complex factors as inflation, changes in doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for excess coverages. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors, and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of the claims liabilities has been estimated using an independent actuary's estimate and cash flow projections on current claims.

### Pensions

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

### Deferred Outflows/Deferred Inflows of Resources

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

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

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

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

### Member Contributions

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

### Commercial Reinsurance Premiums

SELF uses excess insurance and reinsurance agreements to reduce its exposure to large losses on all types of insured events. Excess insurance covers claims in excess of each pool's retention layer. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of SELF as the direct insurer of the risk reinsured. SELF does not report reinsured risk as a liability, unless it is probable that those risks will not be recovered from reinsurance.

### Income Taxes

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

### Use of Estimates

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

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments as of June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents:		
Cash on hand and in bank	\$ 94,442,656	\$ 55,494,467
Money Market	2,379,843	7,705,910
Local Agency Investment Fund	992,039	7,936,823
California Asset Management Program	68,623,359	77,697,390
Total cash and cash equivalents	<u>166,437,897</u>	<u>148,834,590</u>
Investments:		
Corporate Notes	42,413,065	26,368,138
U.S. Agency Bonds	11,056,843	13,659,514
U.S. Treasury Notes	92,918,084	32,942,591
Certificates of deposit	772,577	1,014,942
Municipal bonds	21,588,389	2,880,334
Asset-backed securities / collateralized mortgage obligations	11,105,367	3,115,293
Total investments	<u>179,854,325</u>	<u>79,980,812</u>
Total cash, cash equivalents and investments	<u>\$ 346,292,222</u>	<u>\$ 228,815,402</u>

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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### Local Agency Investment Fund

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

### California Asset Management Program

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

### Money Market

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

### Investment Credit Risk

SELF's investment policy limits investment choices to obligations of the United States Treasury, its agencies and instrumentalities, Federal agency or United States sponsored enterprise obligations, State of California or any local agency within the state, Banker's Acceptances Commercial short-term paper, corporate medium-term notes, FDIC insured or fully collateralized time certificates of deposit located in California, negotiable certificates of deposit issued by nationally or state-chartered bank, savings, or federal associations, State of California's Local Agency Investment Fund, insured savings or money market accounts, money market funds registered by the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), mortgage securities or obligations, The California Asset Management Program, and Supranationals located within the United States (CA Gov. Code §53651(j)). At June 30, 2025 and 2024, all investments, excluding LAIF and CAMP, were issued, registered and held by SELF's agent in SELF's name.

CERC's investment policy identifies procedures that will foster a prudent and systematic investment program designed to seek CERC's objectives through a diversified investment portfolio. An appropriate level of risk shall be maintained by purchasing investments within the context of a well-diversified portfolio. Adequate diversification between equities and fixed-income securities shall be applied to prevent an undue amount of investment risk with any one area. CERC strives to achieve returns and control risk by meeting certain asset allocation targets set forth in CERC's investment policy. The classes of investments that most adequately meet the above-mentioned criteria shall be allowed for purchase. Only investments allowance as noted in U.C.A § 31A-18-105 & 106. The investment policy also lists some prohibited transactions such as non-negotiable or unregistered investments, private placement or restricted stocks, margin trading, precious metals and commodities, real estate, fine or applied art, derivatives, short-sales, straddles, warrants, options and/or futures, investments in businesses or business operations by way of a direct investment by any cell to the share capital or seed capital of any private business operation.

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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### Fair Value Measurements

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

- Level 1      Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets
- Level 2      Inputs to the valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

U.S. agency bonds and U.S. Treasury notes are valued using quoted market prices (Level 1 Input).

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

### Custodial Credit Risk

Cash balances held in banks are insured up to \$250,000 by the FDIC. As of June 30, 2025 and 2024, the bank balances, \$124,677,129 and \$57,473,969, respectively, were not covered by FDIC insurance, but are fully collateralized.

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

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

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2025, the average effective maturity of the investments contained in SELF's pool is approximately 2.4 years.

Information about the sensitivity of the fair values of investments to market interest rate fluctuations is provided by the following table that shows the distribution of SELF's investments by maturity as of June 30, 2025:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>Over 60 Months</u>
Corporate Notes (Level 2)	\$ 42,413,065	\$ 2,771,628	\$ 6,973,093	\$ 32,668,344	
U.S. Agency Bonds (Level 1)	11,056,843	1,360,874	2,798,485	6,141,788	\$ 755,696
U.S. Treasury Notes (Level 1)	92,918,084	57,342,835	9,685,505	22,731,403	3,158,341
Certificates of deposit (Level 2)	772,577	301,113	471,464		
Municipal bonds (Level 2)	21,588,389	1,892,233	1,260,097	15,907,249	2,528,810
Asset-backed securities (Level 2)	11,105,367		415,848	10,689,519	
Total	<u>\$ 179,854,325</u>	<u>\$ 63,668,683</u>	<u>\$ 21,604,492</u>	<u>\$ 88,138,303</u>	<u>\$ 6,442,847</u>

The following table that shows the distribution of SELF's investments by maturity as of June 30, 2024:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>Over 60 Months</u>
Corporate Notes (Level 2)	\$ 26,368,138	\$ 3,998,703	\$ 5,254,586	\$ 17,114,849	
U.S. Agency Bonds (Level 1)	13,659,514	2,524,827	1,510,761	8,901,901	\$ 722,025
U.S. Treasury Notes (Level 1)	32,942,591	3,276,285	7,232,447	14,907,380	7,526,479
Certificates of deposit (Level 2)	1,014,942		301,767	713,175	
Municipal bonds (Level 2)	2,880,334	1,546,604	942,993	390,737	
Asset-backed securities (Level 2)	3,115,293		48,648	3,066,645	
Total	<u>\$ 79,980,812</u>	<u>\$ 11,346,419</u>	<u>\$ 15,291,202</u>	<u>\$ 45,094,687</u>	<u>\$ 8,248,504</u>

### Disclosures Relating to Credit Risk

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

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

Presented below is the actual rating, as rated by S&P, for each investment type as of June 30, 2025:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>			
		<u>AAA to AA</u>	<u>AA- to A-</u>	<u>BBB+*</u>	<u>Not Rated</u>
Corporate Notes	\$ 42,413,065	\$ 9,451,332	\$ 31,031,440	\$ 494,223	\$ 1,436,070
U.S. Agency Bonds	11,056,843	11,056,843			
U.S. Treasury Notes	92,918,084	92,918,084			
Certificates of deposit	772,577				772,577
Municipal bonds	21,588,389	13,322,415	7,476,363		789,611
Asset-backed securities	11,105,367	11,105,367			
Money market	2,379,843				2,379,843
LAIF	992,039				992,039
CAMP	68,623,359				68,623,359
Total	<u>\$251,849,566</u>	<u>\$137,854,041</u>	<u>\$ 38,507,803</u>	<u>\$ 494,223</u>	<u>\$ 74,993,499</u>

\*Rated A3 by Moody's.

Presented below is the actual rating, as rated by S&P, for each investment type as of June 30, 2024:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>			
		<u>AAA to AA</u>	<u>AA- to A-</u>	<u>BBB+*</u>	<u>Not Rated</u>
Corporate Notes	\$ 26,368,138	\$ 8,902,429	\$ 15,122,788	\$ 1,419,804	\$ 923,117
U.S. Agency Bonds	13,659,514	13,659,514			
U.S. Treasury Notes	32,942,591	32,942,591			
Certificates of deposit	1,014,942				1,014,942
Municipal bonds	2,880,334	1,279,473	144,054		1,456,807
Asset-backed securities	3,115,293	3,115,293			
Money market	7,705,910				7,705,910
LAIF	7,936,823				7,936,823
CAMP	77,697,390				77,697,390
Total	<u>\$ 173,320,935</u>	<u>\$ 59,899,300</u>	<u>\$ 15,266,842</u>	<u>\$ 1,419,804</u>	<u>\$ 96,734,989</u>

\*Rated A3 by Moody's.

### Concentration of Investment Credit Risk

As of June 30, 2025, no single issuer represented more than 5% of SELF's total investments. As of June 30, 2024, SELF's holdings in Federal National Mortgage Association represented 17% of the portfolio's total invested assets.

### Realized Gains and Losses on Sales of Investments

At June 30, 2025 and 2024, SELF's sales of investments resulted in a realized loss of \$347,939 and \$321,967, respectively.

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

### 3. MEMBER ASSESSMENTS RECEIVABLE

Between 2020 and 2025, the board approved four separate member assessments related to the Excess Liability Program. Each assessment was authorized in response to adverse loss development and increases in the incurred but not reported (IBNR) claims liability.

Assessments are based on each member's pro-rata share of contributions for the years assessed and are collected over periods approved by the Board. The assessment plans generally provide for collection within two to three fiscal years following approval.

Collections under the first assessment began in 2020-21 and concluded in 2022-23. The second assessment covers the 2023-24 through 2025-26 fiscal years, while the third assessment was due in full by December 31, 2024. In March 2025, the Board approved a fourth assessment, which will be collected over two years, with payments due by December 31, 2025, and December 31, 2026.

At June 30, 2025 and 2024, SELF made no allowance for uncollectable accounts as management estimated the accounts related to these assessments to be collectable.

Assessments receivable at June 30, 2025 and 2024 are as follows:

<b>Excess Liability</b>	<b><u>2025</u></b>	<b><u>2024</u></b>
Member assessments receivable	\$ 284,088,374	\$ 141,728,011
Less current portion of member assessments receivable	<u>(130,474,874)</u>	<u>(141,728,011)</u>
Member assessments receivable, non-current	<u>\$ 153,613,500</u>	<u>\$</u>

### 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 was as follows:

	<b><u>Balance at June 30, 2024</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Balance at June 30, 2025</u></b>
Land	\$ 535,065			\$ 535,065
Investment in building	2,917,794	\$ 204,482		3,122,276
Equipment	<u>442,518</u>	<u>131,246</u>	<u>                    </u>	<u>573,764</u>
Total	3,895,377	335,728		4,231,105
Less accumulated depreciation	<u>(2,981,342)</u>	<u>(95,345)</u>	<u>                    </u>	<u>(3,076,687)</u>
Capital assets - net	<u>\$ 914,035</u>	<u>\$ 240,383</u>	<u>\$</u>	<u>\$ 1,154,418</u>

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

Capital assets activity for the year ended June 30, 2024 was as follows:

	<b>Balance at June 30, 2023</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at June 30, 2024</b>
Land	\$ 535,065			\$ 535,065
Investment in building	2,824,657	\$ 93,137		2,917,794
Equipment	<u>438,876</u>	<u>3,642</u>	<u>                    </u>	<u>442,518</u>
Total	3,798,598	96,779		3,895,377
Less accumulated depreciation	<u>(2,886,226)</u>	<u>(95,116)</u>	<u>                    </u>	<u>(2,981,342)</u>
Capital assets - net	<u>\$ 912,372</u>	<u>\$ 1,663</u>	<u>\$                    </u>	<u>\$ 914,035</u>

### 5. UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

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

	<b><u>2025</u></b>	<b><u>2024</u></b>
Unpaid losses and loss adjustment expenses, beginning of fiscal year	<u>\$ 262,192,170</u>	<u>\$ 239,313,344</u>
Incurring losses and loss adjustment expenses:		
Provision for insured events of the current year	10,523,911	19,481,661
Increase in provision for insured events of prior years	<u>289,437,599</u>	<u>93,530,454</u>
Total incurred losses and loss adjustment expenses	<u>299,961,510</u>	<u>113,012,115</u>
Payments:		
Losses and loss adjustment expenses attributable to insured events of the current year	-	-
Losses and loss adjustment expenses attributable to insured events of prior years	<u>71,813,216</u>	<u>90,133,289</u>
Total payments	<u>71,813,216</u>	<u>90,133,289</u>
Total unpaid losses and loss adjustment expenses, end of fiscal year	<u>\$ 490,340,464</u>	<u>\$ 262,192,170</u>

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

The components of the unpaid claims and claim adjustment expenses as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Reported claims	\$ 297,189,485	\$ 181,642,013
Claims incurred but not reported (IBNR)	177,635,979	67,590,108
Unallocated loss adjustment expenses (ULAE)	<u>15,515,000</u>	<u>12,960,049</u>
Total unpaid claims and claim adjustment expenses	490,340,464	262,192,170
Unpaid claims and claim adjustment expenses, current	<u>(35,270,696)</u>	<u>(36,076,000)</u>
Unpaid claims and claim adjustment expenses, noncurrent	<u>\$ 455,069,768</u>	<u>\$ 226,116,170</u>

These liabilities are reported at their present value using an expected future investment yield assumption of 1.75% for the Excess Liability Program and 2.50% Excess Workers' Compensation Program for the years ended June 30, 2025 and 2024. The undiscounted liability at June 30, 2025 and 2024 was \$506,989,657 and \$278,448,544, respectively.

### 6. EMPLOYEE RETIREMENT PLAN

#### Plan Description

SELF provides pension benefits to its employees through the Miscellaneous Risk Pool through its participation in the Public Agency Cost-Sharing Multiple-Employer Plan (the Plan) a defined benefit pension plan maintained by CalPERS, an agency of the State of California. SELF had less than 100 active members as of the June 30, 2023 actuarial valuation, as a result, qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

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

#### Benefits Provided

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

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

### Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers be determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The contributions are determined through the CalPERS' annual actuarial valuation process. The Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. SELF is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. SELF's required contribution rate on covered payroll for the measurement period ended June 30, 2024 (the measurement date) was 12.52% and 7.87% of annual pay for Classic and PEPRAs employees, respectively, and there was no additional payment required to the unfunded liability. Employer contributions rates may change if plan contracts are amended. SELF makes the contributions required of certain SELF employees on their behalf and for their account. For the years ended June 30, 2025 and 2024, the employer contributions to the plan were \$236,421 and \$175,321, respectively.

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

SELF's Net Pension Liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2024 for the year ended June 30, 2025. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. As of June 30, 2025, SELF's proportionate share of the Plan's NPL was \$1,081,255.

The NPL of the Plan is measured as of June 30, 2023 for the year ended June 30, 2024. The total TPL used to calculate the NPL was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. As of June 30, 2024, SELF's proportionate share of the Plan's NPL was \$1,088,752.

Using SELF's individual employer rate plan's share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for SELF by the actuary. SELF's employer NPL allocation factor for the Plan as of June 30, 2024 was as follows:

	<u>Plan</u>
Proportion - June 30, 2024	0.022356%
Proportion - June 30, 2023	0.021773%
Change - increase	<u>0.000583%</u>

For the years ended June 30, 2025 and 2024, SELF recognized pension expense of \$326,079 and \$329,719 respectively.

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

At June 30, 2025, SELF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 93,484	\$ (3,648)
Changes in assumptions	27,790	
Net differences between projected and actual investment earnings of pension plan investments	62,247	
Change in proportions	94,675	
Change in proportionate share of contributions		(28,827)
Pension contributions subsequent to measurement date	<u>236,421</u>	
Total	<u>\$ 514,617</u>	<u>\$ (32,475)</u>

As of June 30, 2025, the \$236,421 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ending June 30, 2026. As of June 30, 2025, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

### Year Ended June 30

2026	\$ 110,759
2027	150,257
2028	6,036
2029	(21,331)

At June 30, 2024, SELF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 55,619	\$ (8,628)
Changes in assumptions	65,733	
Net differences between projected and actual investment earnings of pension plan investments	176,279	
Change in proportions	163,368	
Change in proportionate share of contributions		(48,395)
Pension contributions subsequent to measurement date	<u>175,321</u>	
Total	<u>\$ 636,320</u>	<u>\$ (57,023)</u>

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

As of June 30, 2024, the \$175,321 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date was recognized as a reduction of the NPL in the year ended June 30, 2025. As of June 30, 2024, other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended</b>	
<b><u>June 30</u></b>	
2025	\$ 155,851
2026	102,758
2027	140,309
2028	5,058

### **Actuarial Assumptions**

For the measurement period ended June 30, 2024 (the measurement date), the TPL was determined by rolling forward the June 30, 2023 TPL. The June 30, 2023 and June 30, 2024 TPL were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

<sup>(1)</sup> The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

### **Changes in Assumptions**

There were no changes of assumptions for the measurement period ended June 30, 2024 or 2023.

### **Discount Rate**

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Long-term Expected Rate of Return**

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

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The table below reflects the long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return <sup>(1)(2)</sup></u>
Global Equity – cap-weighted	30.00%	4.45%
Global Equity – non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.84%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	<u>100.00%</u>	

<sup>(1)</sup> An expected inflation of 2.30% was used for this period.

<sup>(2)</sup> Figures are based on the 2021-22 Asset Liability Management study.

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

The following presents SELF's Proportional Share of the NPL of the Plan as of the June 30, 2024 measurement date, calculated using the discount rate of 6.90%, as well as what SELF's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	<u>Discount Rate – 1% (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>Discount Rate + 1% (7.90%)</u>
SELF's Proportionate Share of Plan's NPL	\$ 2,177,747	\$ 1,081,255	\$ 683,828

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

The following presents SELF's Proportional Share of the NPL of the Plan as of the June 30, 2023 measurement date, calculated using the discount rate of 6.90%, as well as what SELF's Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	<b>Discount Rate – 1% (5.90%)</b>	<b>Current Discount Rate (6.90%)</b>	<b>Discount Rate + 1% (7.90%)</b>
SELF's Proportionate Share of Plan's NPL	<u>\$ 1,847,145</u>	<u>\$ 1,088,752</u>	<u>\$ 464,530</u>

### 7. CONTINGENCY

SELF is a party to litigation regarding the AB218 member assessments. SELF does not anticipate and is unable to estimate any adverse financial consequence as a result of the outstanding litigation.

### 8. SUBSEQUENT EVENT

As of July 1, 2025, CERC established its second protected cell to support participation by another California JPA. Management has evaluated the financial and operational implications of the new cell admission and determined that the event does not materially affect the financial position reported as of June 30, 2025.

**REQUIRED SUPPLEMENTARY INFORMATION**

## SCHOOLS EXCESS LIABILITY FUND

### RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT EXCESS LIABILITY PROGRAM FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 219,903,878	\$ 194,433,344
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year*	10,523,911	19,481,661
Change in provision for covered events of prior years	<u>292,065,293</u>	<u>95,000,939</u>
Total incurred claims and claim adjustment expenses	<u>302,589,204</u>	<u>114,482,600</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of current year		
Claims and claim adjustment expenses attributable to covered events of prior years	<u>70,422,618</u>	<u>89,012,066</u>
Total payments	<u>70,422,618</u>	<u>89,012,066</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 452,070,464</u>	<u>\$ 219,903,878</u>
The components of the unpaid claims and claim adjustment expenses as of June 30, 2025 and 2024 were as follows:		
Reported claims	\$ 270,826,485	\$ 152,584,434
Claims incurred but not reported - SELF	171,973,979	61,407,444
Claims incurred but not reported - CERC		
Unallocated loss adjustment expenses	<u>9,270,000</u>	<u>5,912,000</u>
	<u>\$ 452,070,464</u>	<u>\$ 219,903,878</u>

\* Provision for covered events of the current year is reported within CERC's claims liabilities due to the reinsurance arrangement for the 2024-2025 policy year for the \$5 million excess of \$5 million layer.

## SCHOOLS EXCESS LIABILITY FUND

### RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT EXCESS WORKERS' COMPENSATION PROGRAM\* FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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	<u>2025</u>	<u>2024</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 42,288,292	\$ 44,880,000
Incurred claims and claim adjustment expenses:		
Change in provision for covered events of prior years	<u>(2,627,694)</u>	<u>(1,470,485)</u>
Total incurred claims and claim adjustment expenses	<u>(2,627,694)</u>	<u>(1,470,485)</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of current year		
Claims and claim adjustment expenses attributable to covered events of prior years	<u>1,390,598</u>	<u>1,121,223</u>
Total payments	<u>1,390,598</u>	<u>1,121,223</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 38,270,000</u>	<u>\$ 42,288,292</u>
The components of the unpaid claims and claim adjustment expenses as of June 30, 2025 and 2024 were as follows:		
Reported claims	\$ 26,363,000	\$ 29,057,579
Claims incurred but not reported	5,662,000	6,182,664
Unallocated loss adjustment expenses	<u>6,245,000</u>	<u>7,048,049</u>
	<u>\$ 38,270,000</u>	<u>\$ 42,288,292</u>

\* The program's claim liabilities were transferred to CERC during 2023-2024 and are now reported within CERC's claims liabilities.

# SCHOOLS EXCESS LIABILITY FUND

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2025 AND 2024

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

1. Total of each fiscal year's gross earned premiums, rate credits, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue allocated to each policy year.
2. Each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.
3. Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called policy year).
4. Cumulative net amounts paid as of the end of successive years for each policy year.
5. Latest reestimated amount of losses assumed by reinsurers for each policy year.
6. Policy year's net incurred claims as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. Compares the latest reestimated net incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost are greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.
8. Outstanding unpaid claims and claim adjustment expenses as of June 30, 2025 for each policy year.

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

# SCHOOLS EXCESS LIABILITY FUND

## CLAIMS DEVELOPMENT INFORMATION EXCESS LIABILITY PROGRAM

(in thousands)  
JUNE 30, 2025

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
(1) Premiums Revenue:										
Earned	\$ 10,982	\$ 14,352	\$ 15,074	\$ 21,097	\$ 72,262	\$ 44,293	\$ 144,939	\$ 54,591	\$ 207,143	\$ 359,313
Ceded (by policy year)	(7,401)	(8,221)	(7,899)	(8,247)	(10,170)	(17,930)	(20,253)	(27,366)	(28,558)	(54,874)
Cumulative interest earned (by policy year)	820	29	62	1,362	1,357	291	(957)	2,293	8,726	10,695
Net earned contribution and investment income	<u>4,401</u>	<u>6,160</u>	<u>7,237</u>	<u>14,212</u>	<u>63,449</u>	<u>26,654</u>	<u>123,729</u>	<u>29,518</u>	<u>187,311</u>	<u>315,134</u>
(2) Unallocated Expenses	\$ 1,524	\$ 1,371	\$ 1,474	\$ 1,876	\$ 1,935	\$ 2,083	\$ 2,011	\$ 2,501	\$ 3,485	\$ 7,000
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 5,084	\$ 5,844	\$ 6,412	\$ 7,866	\$ 10,911	\$ 14,025	\$ 849	\$ 14,862	\$ 19,482	\$ 10,523
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	<u>5,084</u>	<u>5,844</u>	<u>6,412</u>	<u>7,866</u>	<u>10,911</u>	<u>14,025</u>	<u>849</u>	<u>14,862</u>	<u>19,482</u>	<u>10,523</u>
(4) Paid (Cumulative) as of:										
End of Policy Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One Year Later	-	9	-	7	-	-	-	-	5,003	-
Two Years Later	-	1,332	849	7	-	2	-	3,071	-	-
Three Years Later	6	9,792	849	7	6,088	1,018	5,746	-	-	-
Four Years Later	6	10,719	857	83	4,635	6,108	-	-	-	-
Five Years Later	6	18,090	858	2,350	11,385	-	-	-	-	-
Six Years Later	6	18,090	5,856	2,350	-	-	-	-	-	-
Seven Years Later	16	17,962	9,079	-	-	-	-	-	-	-
Eight Years Later	2,323	17,966	-	-	-	-	-	-	-	-
Nine Years Later	2,323	-	-	-	-	-	-	-	-	-
(5) Re-estimated Ceded Losses and Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(6) Re-estimated incurred claims and expenses:										
End of Policy Year	\$ 5,084	\$ 5,844	\$ 6,412	\$ 7,866	\$ 10,911	\$ 14,025	\$ 849	\$ 14,862	19,482	10,523
One Year Later	4,653	5,580	7,439	7,282	9,636	10,952	14,790	10,753	18,590	-
Two Years Later	4,094	17,545	7,187	4,957	6,870	7,286	5,031	29,008	-	-
Three Years Later	1,960	24,895	6,387	3,652	14,488	11,033	14,115	-	-	-
Four Years Later	2,270	22,727	5,638	2,613	13,349	11,423	-	-	-	-
Five Years Later	2,006	22,678	14,392	4,061	23,794	-	-	-	-	-
Six Years Later	1,741	21,177	14,738	5,506	-	-	-	-	-	-
Seven Years Later	3,726	24,109	20,045	-	-	-	-	-	-	-
Eight Years Later	3,189	27,077	-	-	-	-	-	-	-	-
Nine Years Later	3,789	-	-	-	-	-	-	-	-	-
(7) Increase (Decrease) in estimated incurred claims and expenses from end of policy year	<u>\$ (1,295)</u>	<u>\$ 21,233</u>	<u>\$ 13,633</u>	<u>\$ (2,360)</u>	<u>\$ 12,883</u>	<u>\$ (2,602)</u>	<u>\$ 13,266</u>	<u>\$ 14,146</u>	<u>\$ (892)</u>	<u>\$ -</u>
(8) Unpaid claims and claim adjustment expenses with ULAE	<u>\$ 1,466</u>	<u>\$ 9,111</u>	<u>\$ 10,966</u>	<u>\$ 3,156</u>	<u>\$ 12,409</u>	<u>\$ 5,315</u>	<u>\$ 8,369</u>	<u>\$ 25,937</u>	<u>\$ 13,587</u>	<u>\$ 10,523</u>

## SCHOOLS EXCESS LIABILITY FUND

### SCHEDULE OF SELF'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2025 LAST 10 YEARS

<i>Measurement Date Ended June 30:</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SELF's proportion of the net pension liability	0.02236%	0.02177%	0.02045%	0.00916%	0.01703%	0.01622%	0.01754%	0.01993%	0.01947%	0.01933%
SELF's proportionate share of the net pension liability	\$ 1,081,255	\$ 1,088,752	\$ 956,902	\$ 173,978	\$ 718,386	\$ 649,422	\$ 661,064	\$ 785,612	\$ 676,383	\$ 530,238
SELF's covered employee payroll	\$ 1,321,162	\$ 1,148,279	\$ 929,522	\$ 975,223	\$ 1,005,729	\$ 1,118,047	\$ 883,549	\$ 850,014	\$ 783,263	\$ 561,000
SELF's proportionate share of the net pension liability as a percentage of their covered-employee payroll	81.84%	94.82%	102.95%	17.84%	71.43%	58.09%	74.82%	92.42%	86.35%	94.52%
Plan fiduciary net position as a percentage of the total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.30%	74.10%	78.40%

**Notes to Schedule:**

**Change of benefit terms** – For the measurement dates ended June 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015, there were no changes to the benefit terms.

**Changes in assumptions** – For the measurement period ended June 30, 2022, the discount rate was reduced from 7.15% to 6.90% and demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. For the measurement period ended June 30, 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes to the discount rate.

## SCHOOLS EXCESS LIABILITY FUND

### SCHEDULE OF SELF'S CONTRIBUTIONS AS OF JUNE 30, 2025 LAST 10 YEARS

<i>Fiscal Year Ended June 30:</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution (actuarially determined)	\$ 236,421	\$ 175,321	\$ 180,042	\$ 149,315	\$ 142,249	\$ 124,462	\$ 206,552	\$ 236,978	\$ 116,083	\$ 105,452
Contributions in relation to the contractually required contributions	<u>(236,421)</u>	<u>(175,321)</u>	<u>(180,042)</u>	<u>(149,315)</u>	<u>(142,249)</u>	<u>(124,462)</u>	<u>(206,552)</u>	<u>(236,978)</u>	<u>(116,083)</u>	<u>(105,452)</u>
Contribution deficiency (excess)	<u>\$</u>									
SELF's covered-employee payroll	\$ 1,535,172	\$ 1,321,162	\$ 1,148,279	\$ 929,522	\$ 975,223	\$ 1,005,729	\$ 1,118,047	\$ 883,549	\$ 850,014	\$ 783,263
Contributions as a percentage of covered-employee payroll	15.40%	13.27%	15.68%	16.06%	14.59%	12.38%	18.47%	26.82%	13.66%	13.46%

**SUPPLEMENTARY INFORMATION**

# SCHOOLS EXCESS LIABILITY FUND

## COMBINING STATEMENT OF NET POSITION JUNE 30, 2025

	<u>Excess Liability</u>	<u>Excess Workers' Compensation</u>	<u>Building</u>	<u>CERC</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 123,446,537	\$ 5,691,152	\$ 539,098	\$ 36,761,110		\$ 166,437,897
Investments	54,578,945			9,089,738		63,668,683
Accounts receivable:						
Member assessments receivable	130,474,874					130,474,874
Excess insurance recoverable	10,976,998				\$ (10,976,998)	
Interest and other	744,342	94,625	2,448	276,357		1,117,772
Prepaid expenses	69,119		1,722	20,000	(20,000)	70,841
Due from (due to) other programs	1,691	(2,257)		566		
Total current assets	<u>320,292,506</u>	<u>5,783,520</u>	<u>543,268</u>	<u>46,147,771</u>	<u>(10,996,998)</u>	<u>361,770,067</u>
Noncurrent assets:						
Investments	68,270,441	18,563,690		29,351,511		116,185,642
Investment in CERC		8,624,000			(8,624,000)	
Member assessments receivable	153,613,500					153,613,500
Capital assets, net	115,635		1,038,783			1,154,418
Total noncurrent assets	<u>221,999,576</u>	<u>27,187,690</u>	<u>1,038,783</u>	<u>29,351,511</u>	<u>(8,624,000)</u>	<u>270,953,560</u>
Total assets	<u>542,292,082</u>	<u>32,971,210</u>	<u>1,582,051</u>	<u>75,499,282</u>	<u>(19,620,998)</u>	<u>632,723,627</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources related to pensions						
	<u>514,617</u>					<u>514,617</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	308,794	5,035	4,369	42,850	(20,000)	341,048
Unpaid claims and claim adjustment expenses	33,885,000			1,385,696		35,270,696
Total current liabilities	<u>34,193,794</u>	<u>5,035</u>	<u>4,369</u>	<u>1,428,546</u>	<u>(20,000)</u>	<u>35,611,744</u>
Noncurrent liabilities:						
Net pension liability	1,081,255					1,081,255
Unpaid claims and claim adjustment expenses	418,185,464			47,861,302	(10,976,998)	455,069,768
Total noncurrent liabilities	<u>419,266,719</u>			<u>47,861,302</u>	<u>(10,976,998)</u>	<u>456,151,023</u>
Total liabilities	<u>453,460,513</u>	<u>5,035</u>	<u>4,369</u>	<u>49,289,848</u>	<u>(10,996,998)</u>	<u>491,762,767</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources related to pensions						
	<u>32,475</u>					<u>32,475</u>
<b>NET POSITION</b>						
Net investment in capital assets	115,635		1,038,783			1,154,418
Capital stock				8,624,000	(8,624,000)	
Unrestricted	<u>89,198,076</u>	<u>32,966,175</u>	<u>538,899</u>	<u>17,585,434</u>		<u>140,288,584</u>
Total net position	<u>\$ 89,313,711</u>	<u>\$ 32,966,175</u>	<u>\$ 1,577,682</u>	<u>\$ 26,209,434</u>	<u>\$ (8,624,000)</u>	<u>\$ 141,443,002</u>

# SCHOOLS EXCESS LIABILITY FUND

## COMBINING STATEMENT OF NET POSITION JUNE 30, 2024

	<u>Excess Liability</u>	<u>Excess Workers' Compensation</u>	<u>Building</u>	<u>CERC</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 117,041,406	\$ 4,073,092	\$ 699,522	\$ 27,020,570		\$ 148,834,590
Investments	4,575,043			6,771,377		11,346,420
Accounts receivable:						
Member assessments receivable	141,728,011					141,728,011
Interest and other	2,926,008	1,803,635	4,446	22,533	\$ (1,697,182)	3,059,440
Prepaid expenses	43,750	1,548	1,633	6,875		53,806
Total current assets	<u>266,314,218</u>	<u>5,878,275</u>	<u>705,601</u>	<u>33,821,355</u>	<u>(1,697,182)</u>	<u>305,022,267</u>
Noncurrent assets:						
Investments	26,290,827	17,314,336		25,029,229		68,634,392
Investment in CERC		8,624,000			(8,624,000)	
Capital assets, net	23,300		890,735			914,035
Total noncurrent assets	<u>26,314,127</u>	<u>25,938,336</u>	<u>890,735</u>	<u>25,029,229</u>	<u>(8,624,000)</u>	<u>69,548,427</u>
Total assets	<u>292,628,345</u>	<u>31,816,611</u>	<u>1,596,336</u>	<u>58,850,584</u>	<u>(10,321,182)</u>	<u>374,570,694</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources related to pensions	436,983	199,337				636,320
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	183,042	43,825	1,106	1,697,182	(1,697,182)	227,973
Unpaid claims and claim adjustment expenses	31,762,000			4,314,000		36,076,000
Total current liabilities	<u>31,945,042</u>	<u>43,825</u>	<u>1,106</u>	<u>6,011,182</u>	<u>(1,697,182)</u>	<u>36,303,973</u>
Noncurrent liabilities:						
Net pension liability	774,182	314,570				1,088,752
Unpaid claims and claim adjustment expenses	188,141,878			37,974,292		226,116,170
Total noncurrent liabilities	<u>188,916,060</u>	<u>314,570</u>		<u>37,974,292</u>		<u>227,204,922</u>
Total liabilities	<u>220,861,102</u>	<u>358,395</u>	<u>1,106</u>	<u>43,985,474</u>	<u>(1,697,182)</u>	<u>263,508,895</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources related to pensions	23,565	33,458				57,023
<b>NET POSITION</b>						
Net investment in capital assets	23,300		890,735			914,035
Capital stock				8,624,000	(8,624,000)	
Unrestricted	72,157,361	31,624,095	704,495	6,241,110		110,727,061
Total net position	<u>\$ 72,180,661</u>	<u>\$ 31,624,095</u>	<u>\$ 1,595,230</u>	<u>\$ 14,865,110</u>	<u>\$ (8,624,000)</u>	<u>\$ 111,641,096</u>

# SCHOOLS EXCESS LIABILITY FUND

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION JUNE 30, 2025

	<u>Excess Liability</u>	<u>Excess Workers' Compensation</u>	<u>Building</u>	<u>CERC</u>	<u>Eliminations</u>	<u>Total</u>
<b>OPERATING REVENUE</b>						
Member contributions	\$ 63,510,456					\$ 63,510,456
Member assessments	296,761,879					296,761,879
Contributions for retained risk				\$ 20,865,000	\$ (20,865,000)	
Less: discounts	<u>(959,772)</u>					<u>(959,772)</u>
Total operating revenues	<u>359,312,563</u>			<u>20,865,000</u>	<u>(20,865,000)</u>	<u>359,312,563</u>
<b>OPERATING EXPENSES</b>						
Provision for unpaid claims and claim adjustment expenses	291,612,206			8,349,304		299,961,510
Commercial reinsurance premiums	<u>54,874,116</u>			<u>3,375,000</u>	<u>(20,865,000)</u>	<u>37,384,116</u>
Total direct claims expenses	<u>346,486,322</u>			<u>11,724,304</u>	<u>(20,865,000)</u>	<u>337,345,626</u>
General and administrative expenses:						
Contract services	4,124,241	\$ 39,047		169,905		4,333,193
Personnel costs	2,187,728					2,187,728
Administrative expenses	648,957	398	\$ 3,320	793,475	(759,778)	686,372
Building			125,750	9,700		135,450
Depreciation	<u>38,911</u>		<u>56,434</u>			<u>95,345</u>
Total general and administrative	<u>6,999,837</u>	<u>39,445</u>	<u>185,504</u>	<u>973,080</u>	<u>(759,778)</u>	<u>7,438,088</u>
Total operating expenses	<u>353,486,159</u>	<u>39,445</u>	<u>185,504</u>	<u>12,697,384</u>	<u>(21,624,778)</u>	<u>344,783,714</u>
Operating income (loss)	<u>5,826,404</u>	<u>(39,445)</u>	<u>(185,504)</u>	<u>8,167,616</u>	<u>759,778</u>	<u>14,528,849</u>
<b>NON-OPERATING REVENUES</b>						
Investment income	10,695,311	1,209,604	78,786	3,176,708		15,160,409
Rental income			88,806			88,806
Other income	<u>760,026</u>	<u>23,230</u>	<u>364</u>		<u>(759,778)</u>	<u>23,842</u>
Total non-operating revenues	<u>11,455,337</u>	<u>1,232,834</u>	<u>167,956</u>	<u>3,176,708</u>	<u>(759,778)</u>	<u>15,273,057</u>
Transfers – pension liability reallocation	<u>(148,691)</u>	<u>148,691</u>				
Change in net position	17,133,050	1,342,080	(17,548)	11,344,324		29,801,906
Net position, beginning of year	72,180,661	31,624,095	1,595,230	6,241,110		111,641,096
Capital stock				<u>8,624,000</u>	<u>(8,624,000)</u>	
Net position, end of year	<u>\$ 89,313,711</u>	<u>\$ 32,966,175</u>	<u>\$ 1,577,682</u>	<u>\$ 26,209,434</u>	<u>\$ (8,624,000)</u>	<u>\$ 141,443,002</u>

# SCHOOLS EXCESS LIABILITY FUND

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION JUNE 30, 2024

	<u>Excess Liability</u>	<u>Excess Workers' Compensation</u>	<u>Building</u>	<u>CERC</u>	<u>Eliminations</u>	<u>Total</u>
<b>OPERATING REVENUE</b>						
Member contributions	\$ 55,244,841					\$ 55,244,841
Member assessments	152,069,138					152,069,138
Contributions for retained risk				\$ 49,241,000	\$ (49,241,000)	
Less: discounts	<u>(171,059)</u>					<u>(171,059)</u>
Total operating revenues	<u>207,142,920</u>			<u>49,241,000</u>	<u>(49,241,000)</u>	<u>207,142,920</u>
<b>OPERATING EXPENSES</b>						
Provision for unpaid claims and claim adjustment expenses	114,482,600			43,409,515	(44,880,000)	113,012,115
Commercial reinsurance premiums	<u>28,557,937</u>	<u>\$ 4,361,000</u>			<u>(4,361,000)</u>	<u>28,557,937</u>
Total direct claims expenses	<u>143,040,537</u>	<u>4,361,000</u>		<u>43,409,515</u>	<u>(49,241,000)</u>	<u>141,570,052</u>
General and administrative expenses:						
Contract services	1,287,415	125,427	\$ 5,000	77,950		1,495,792
Personnel costs	1,681,241	275,232				1,956,473
Administrative expenses	496,403	105,609	2,652	507,761	(488,545)	623,880
Building	2,215		102,834			105,049
Depreciation	<u>17,730</u>	<u>2,423</u>	<u>74,963</u>			<u>95,116</u>
Total general and administrative	<u>3,485,004</u>	<u>508,691</u>	<u>185,449</u>	<u>585,711</u>	<u>(488,545)</u>	<u>4,276,310</u>
Total operating expenses	<u>146,525,541</u>	<u>4,869,691</u>	<u>185,449</u>	<u>43,995,226</u>	<u>(49,729,545)</u>	<u>145,846,362</u>
Operating income (loss)	<u>60,617,379</u>	<u>(4,869,691)</u>	<u>(185,449)</u>	<u>5,245,774</u>	<u>488,545</u>	<u>61,296,558</u>
<b>NON-OPERATING REVENUES</b>						
Investment income	8,726,301	1,924,644	34,563	995,336		11,680,844
Rental income			85,134			85,134
Other income	<u>1,463</u>	<u>489,310</u>	<u>254</u>		<u>(488,545)</u>	<u>2,482</u>
Total non-operating revenues	<u>8,727,764</u>	<u>2,413,954</u>	<u>119,951</u>	<u>995,336</u>	<u>(488,545)</u>	<u>11,768,460</u>
Change in net position	69,345,143	(2,455,737)	(65,498)	6,241,110		73,065,018
Net position, beginning of year	2,835,518	34,079,832	1,660,728			38,576,078
Capital stock				<u>8,624,000</u>	<u>(8,624,000)</u>	
Net position, end of year	<u>\$ 72,180,661</u>	<u>\$ 31,624,095</u>	<u>\$ 1,595,230</u>	<u>\$ 14,865,110</u>	<u>\$ (8,624,000)</u>	<u>\$ 111,641,096</u>



**OTHER 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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Schools Excess Liability Fund (SELF), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SELF’s basic financial statements, and have issued our report thereon dated January 30, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SELF’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SELF’s internal control. Accordingly, we do not express an opinion on the effectiveness of SELF’s internal control.

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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



**GILBERT CPAs**  
**Sacramento, California**

**January 30, 2026**